STATE OF UTAH

A REPORT

by

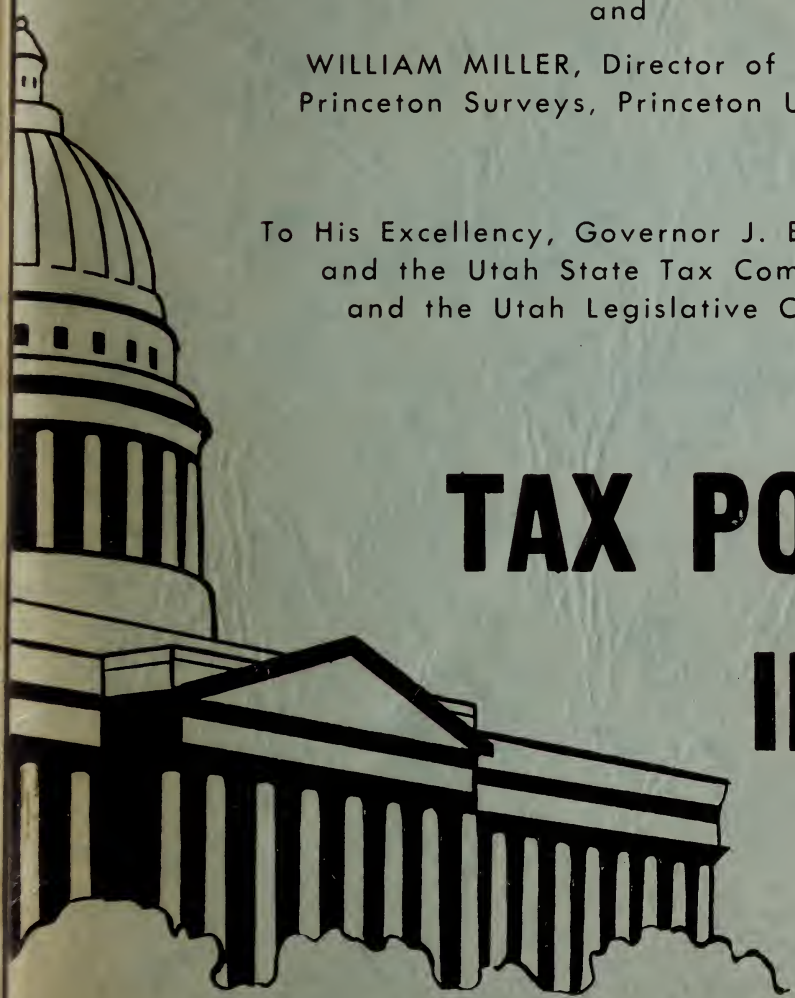
JOHN F. SLY, Director,
Princeton Surveys, Princeton University

and

WILLIAM MILLER, Director of Research
Princeton Surveys, Princeton University

To His Excellency, Governor J. Bracken Lee
and the Utah State Tax Commission
and the Utah Legislative Council

TAX POLICIES IN UTAH



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LETTER OF TRANSMITTAL

December 9, 1954

To His Excellency, Governor J. Bracken Lee, and the members of the Utah State Tax Commission and the Utah Legislative Council:

The present study is the result of a legislative assignment to the Legislative Council in 1953, and the Governor's request to the State Tax Commission, to make a comprehensive study of the state tax system. It was subsequently agreed that the study would become a joint project and the services of the consultants were retained for that purpose. On May 6, 1954, Dr. Sly outlined in a public address the approach of the study and the general course it would take; the following October 5 he presented a Preliminary Report.

The final report of the study, which is submitted herewith, deals with major questions of tax policy in Utah. It represents the results of an intensive review of the present tax structure and of the impact of the major taxes used by the state other than highway user taxes and the payroll tax for unemployment compensation. The latter two revenue subjects were deferred because of their special character; the first for the reason that the proceeds of motor vehicle and motor fuel taxes are identified solely with the road needs of the state, and the second for the reason that the payroll tax revenues are held in a trust fund the requirements of which are determined separately from all other governmental needs, according to the liberality of the benefit formula and the extent of unemployment.

The conclusions and recommendations of the report are supported by a comprehensive analysis of the various taxes upon which Utah relies; the burden of these taxes upon the segments of the state's economy, and the comparative position of Utah and other states with respect to the total burden of taxation.

The thoroughness and extent of the final report is due to the wholehearted cooperation of the members of the State Tax Commission, the Legislative Council and their staff members. Over 8,000 man-hours were contributed by the staff of the State Tax Commission to extensive machine tabulations, and the staff of the Legislative Council prepared a great variety of schedules pertaining to tax and expenditure programs. Without their support and efforts, this work would not have been possible.

Of necessity taxes are secondary to expenditures. The approach to this study has been guided by the recognized desire of those concerned with budget policy in Utah to avoid new or additional taxes by any reasonable means. As a point of beginning, however, a tax study can be meaningful only with reference to certain assumptions in regard to revenue needs. This study has, solely for the purposes of a point of reference, begun with an estimate of the forseeable revenue needs of the state over the next biennium which calls for about $2.5 to $3 million annually in additional revenue over and above what has heretofore been available.

While detailed findings are presented throughout the pages of the report, it may be helpful to summarize here some of the prin-

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cipal points which are developed in the various chapters. These may be grouped generally under four main headings: the revenue needs of the state; the economic characteristics of Utah which measure its relative capacity to support the cost of government; the distribution and comparative burden of the present tax structure; and the implications of the study with respect to each of the major tax bases which are now used to support state and local government in this state.

THE REVENUE NEEDS OF THE STATE

Chapter I reviews the present revenues and expenditures of the state and its financial outlook based upon known revenue requirements. It points out that the present system of fund accounting and dedication of certain revenues to certain purposes has some bad features which are significant in the present tax outlook. The condition created by the present practice of dedication of tax revenues and of budgeting under three funds is summarized as follows:

> The State of Utah should avoid any further dedication of its tax resources, and would be well advised to consider the elimination of any dedication by constitutional provision.
>
> It prevents a flexible support of service requirements; tends to over-emphasize expansion in special service programs; and leaves the Legislature little control over its own appropriations.
>
> It compels new taxes as the first alternative, when the limited "free revenues" fail to meet service requirements.
>
> It focuses new tax requirements only on tax paying groups that are already in the "free revenue" class.

THE TAX ECONOMY OF UTAH

In the long run the capacity of the state to raise money by taxation is limited only by the willingness of its people to do without other things so as to be able to pay for government. The present report is concerned not so much with this question of governmental philosophy but rather with the potential tax basis in Utah as measured by experience of other states. These measures can provide only a rough guide at best. After consideration of the economy of the state, the income payments received by its residents, and the general level of family income and per capita income in this state as compared with other states, the study justifies these conclusions (Chapter II):

> Viewing the state as a whole, Utah stands out as a median state in its tax economy. The income of its residents does not rise as high nor fall as low as in other states.
>
> Two factors distinguishing the Utah economy somewhat from other states are (1) that the federal government owns a larger part (71%) of the land area of this state than of any other state except Nevada; (2) the value per acre of farm real estate, as estimated by the federal bureau of agricultural economics, does not reflect the inflationary influences

of the past 20 years as much as similar property in other states. The report emphasizes that there are of course substantial differences among the counties which should be taken into consideration in the establishment of expenditure and revenue policies.

THE PRESENT TAX STRUCTURE AND ITS BURDEN

It is often true that the general character of a government may be disclosed by the balance, equity and fairness of administration of its revenue system. Tested by this standard, Utah has good government beyond doubt. The state has a well balanced tax structure—better balanced than many other states. While state and local government is collecting more taxes today than ever before, the state's population, individual income and the property values have tended to keep pace with the increased revenue needs. The conclusions of Chapter III may be summarized as follows:

> Utah has a balanced tax structure, well fitted to its economy, and developed with restraint.
>
> It is high, relatively, in its reliance on sales tax support; approaches an average position in the income tax field; and shows sharp variations from the average in public utility revenues, severance taxes and inheritance taxes—low on public utilities and inheritance taxes and high on severance taxes. This does not necessarily mean that these bases are over- or under-burdened. It is merely a measure of the comparative tax environment from which Utah must draw its tax resources.
>
> Utah ranks 26th—with a per capita state and local tax burden of $151.31 in 1953—among all of the states, of which the median was $152.86 per capita. This is more favorable than its rank in 1941, which was 20th upon the same basis.
>
> Utah ranked 24th among the states in its state and local general revenues per $1,000 resident individual income received in 1953. The Utah burden was represented by $100.64 per $1,000 of income as compared with $99.41 per $1,000 in the median state (North Carolina).

From the viewpoint of comparative tax burdens, it appears that Utah has maintained a very satisfactory relationship between its tax levies and its tax resources. It is marked as a median state in both respects. It has apparently resisted the upward pressures in service costs even more successfully than other states, while progressively meeting its governmental responsibilities, particularly in the maintenance of high standards of public education.

THE MAJOR TAX BASES

In considering the several major tax bases now used by state and local government, the report develops various possible sources of additional tax revenue, if new or additional revenues are essential. It is not recommended that any specific revenue proposal be adopted

nor should the report be taken as a suggestion that all of the revenue implications may be combined. Rather it is recommended that if new revenues must be found, the Legislature avoid placing the entire burden upon any one tax base, and apportion it equitably among the tax bases which are suggested.

The Property Tax

Following an intensive analysis of this major tax base (Chapter IV) these are the principal findings and recommendations:

> Utah relies upon the property tax to about the same relative degree as the average for all states.
>
> Property taxes have increased greatly in dollar amount over the past 15 years; but the real burden today expressed in dollars of constant value is less on a state-wide basis than it was 15 years ago.
>
> While there is doubtless extreme unevenness among individual taxpayers, all evidence indicates that, on the average, the Utah farmer, businessman and home owner pay property taxes well in line with those of comparable property owners in other states.
>
> Over-all the property tax shows sufficient economic leeway especially when converted to constant dollars to justify some further reliance upon it if necessary. In a few of the cities, however, the tax rate stands out as proportionately well above the state-wide experience.

In any system of property taxation, a fair distribution of the burden, regardless of the tax rate, requires equal assessments for properties of equal value. To this end, the reassessment program which has already been initiated by the Tax Commission, under the direction of the Legislature, need not mean any additional tax burden upon property in general but rather a restoration of equality of treatment among property owners similarly situated. The dollar burden is now and will remain subject to the expenditures which are voted by locally elected officials. The present level of assessed valuations has fallen below a realistic level, however, and is undesirable—

> It gives a false appearance of inadequate local tax resources; and it produces constant pressure on the Legislature and the Governor to levy new taxes at the state level to relieve the supposed inadequate local resources.
>
> It automatically imposes added drains on the state treasury to finance state aid programs for schools where the state agrees to provide the difference between the cost of a fixed program and the amount that a given millage will raise upon local assessed valuations.
>
> Finally, it distorts the effect of tax rate limitations, particularly under the complicated specific purpose limitations applied under Utah laws.

> The state has undertaken an open end agreement to support public schools in a manner which can be used to subsidize under assessment of taxable property. While lower valuations will produce fewer dollars from 16 mills, the state's commitments are expressed in terms of the actual number of dollars required to make up the difference between the local dollars and the cost of the minimum school program. This condition requires a reasonable but vigorous application of the principle of fair valuation to current assessments if the entire state tax system is not to become distorted in the guise of a benefit to education.

The property tax in Utah is characterized by a minute classification of the tax rate by legislative limitation for specific expenditure purposes. A careful examination of the present system of property tax rate limitation in Utah shows that such limitations have not in fact served to limit the property tax burden, and have had the harmful effect of discouraging an effective local budget system, which is what local government in Utah needs much more than tax rate limitations.

> As a matter of sound tax principle, the old system of property tax limitation could be abandoned in the confident belief that local tax rates will be effectively limited by the willingness of local people to tax themselves. Since such a radical departure from past policy will be difficult, however, it is well also to look toward some improvement in the present system of rate limitations.
>
> There is no county which even approached its maximum permissible levy in 1953, and all counties but one had substantial unused millage for the purposes for which they levied any tax at all. The ceilings have been restrictive for some purposes, of course, but they have operated most unevenly.

Tax limitations have worked most unevenly and have had erratic effects in the determination of local budgeting policies. While they have not seriously limited the local tax burden, they have limited the discretion of locally elected representatives to choose the expenditure program best suited to the needs of their community, and in some cases they may have been responsible for the creation of otherwise unnecessary special districts which are not within the conventional tax rate limitations.

> Serious consideration should be given to complete abandonment of property tax rate limitations. If it is retained, the present system of specific purpose limitations should be abandoned in any event and replaced by an effective local budget system and a single aggregate limit separately stated for schools, municipalities and counties, such as 1.5% for schools, 1% for municipalities, ½% for counties, upon the current fair cash value, except upon special vote of the electors.

Natural Resources

A careful examination of taxation of natural resources in Utah shows that the general outline of the Utah tax system as applied to metalliferous mines follows a practice which is common in other states, namely to tax property values, severance and net income.

A comparison of the tax burden imposed upon a major producer of non-ferrous metal in Utah, as compared with the burden that would be imposed if the tax load of comparable states were in effect in Utah, shows that such mine taxation in this state is comparatively moderate in burden.

Oil and gas resources are taxed at a considerably lower level, particularly when measured in terms of tax per barrel of oil produced, than in comparable states. It is a reasonable conclusion that oil and gas producers may fairly be required to assume a more equitable share of the tax burden. If Utah values its present rank as a moderate state in the taxation of metalliferous mining, which is proportionately more important to this state as an economic resource than perhaps any other, there does not appear to be much tax leeway in this source of revenue. If the state were willing to assume a high position in the burden of taxation on metal mining, it appears that upwards of $2 million in additional tax requirements might be imposed on this industry. Any such step should not be considered, however, without reference to any possible changes in the corporate income tax which is also paid by mining companies.

Present methods of assessment and taxation of metalliferous mines should, at least, be extended to oil and natural gas. If the net proceeds method of valuation were applied to oil properties, on the basis of 1953 production, the yield to the counties would aggregate $156,871, or 8.6 cents per barrel. If the mine occupation tax were extended to oil and gas, the total tax burden would become $199,126 or 10.9 cents per barrel, almost double the current estimated yield but still substantially below the per barrel tax in other states. This alternative will yield an estimated $42,255 to the general fund. Since oil and gas severance taxes are generally higher than those on metalliferous mining, Utah may wish to assess a severance tax on oil and gas production of 2½%. The yield from oil alone would be $105,638 for the general fund and the total tax liability on this industry would be $262,509, or 14.3 cents per barrel, which is comparable to a number of other states.

The problems in the taxation of uranium as a metalliferous mining operation are largely matters of practicality, as well as law. The State Tax Commission has already undertaken to find ways and means of applying existing laws to such mines.

Corporations

Corporate business in Utah is taxable with respect to its general property; its franchise as measured generally by net income under

the corporate franchise tax; and its purchases as a consumer of goods not for resale, under the consumer sales and use tax.

After an analysis of the tax rates and taxes payable by 4,291 corporations doing business in Utah, these conclusions are justified:

> The Utah corporate franchise tax is a relatively small part of the tax burden carried by corporations, as well as a reasonably light burden in an economic sense upon corporations generally. Two inequities in the present form of the tax are apparent. One is the minimum alternative basis where a corporation has little or no income and the other is the method of allocating to the state a fair share of the net income of a corporation which does business in more than one state. To eliminate the inequity in the minimum tax base—
>
> It would be appropriate to change the alternative minimum in both base and rate so that it would become 1 mill of invested capital, that is, total assets (both tangible and intangible) less accounts payable and other short term debt. Such invested capital could be allocated according to the same formula as income. This would bring the Utah tax into line with similar taxes levied in many states, and would also produce some additional revenue for the general fund—an amount, depending upon the effect of the alternative income measure, estimated at $100,000 annually.

One of the most significant and also most neglected phases of corporate taxation is the allocation of income within and without the state when the corporation does business in more than one state. A seemingly slight change in the manner of computing this allocation could mean as much as $500,000 a year in taxes paid in this state. Under the present practice in Utah, a corporation could maintain a sales office located in Colorado, make most of its sales in Utah and yet not have such sales enter into the calculation of its net income attributable either to Colorado or to Utah. There are other inconsistencies in the present formula. It appears both equitable to the taxpayer and prudent from the state's revenue standpoint to suggest a modification of the present formula method of allocating income, as follows:

> Retain the present property factor; retain the present payroll factor; retain the receipts factor but attribute receipts to Utah whenever a sale results in a shipment into or out of Utah, to the extent of one-half of the amount of such sale, regardless of the location of the sales office. Other changes of detail would then be necessary to conform the formula.

Among the 33 states, the District of Columbia, Hawaii and Alaska, which measure the corporate franchise tax by net income allocable to the state, only six other states have corporate income tax rates as low as 3%. In view of the relatively light burden of the franchise tax as compared with other costs of doing business—

If additional revenue is essential, it would not be inequitable to increase the state income tax rate on corporations from the present 3% to 4%. This would increase the tax only on those corporations having income and which are not affected by the alternative minimum tax.

Among the states levying income taxes on corporations, 17 states and Hawaii permit the deduction of all or part of federal income taxes paid by the corporation before the determination of taxable net income for state purposes. Fifteen states, the District of Columbia and Alaska do not permit such deductions. The question whether the deduction should be allowed is a matter of reasonable difference of opinion.

If the revenue is essential to the state, the present deduction of federal income taxes paid from the state income tax base of corporations could be either removed or limited. The increase in revenue from its removal would be approximately $2.5 million annually based on 1953 experience, as compared with the estimated increase of $1.0 million which would result from an increase in the tax rate to 4 per cent. The combined total effect of both eliminating the deduction and increasing the rate would impose a 166 per cent increase in the state income tax on corporations. Obviously both steps should not be taken at the same time.

Under the present corporate income tax law there are 16 different classes of corporations which are exempt, including farmer cooperatives which are presently exempt from filing or reporting under the law. It is recommended that the present list of 16 exemptions be reduced to 3 classes and that the special treatment of farmer cooperatives be continued but only in the form provided by the Federal Revenue Act of 1951 and continued in the Internal Revenue Code of 1954.

Partnerships

A study of the information reports filed by partnerships with the State Tax Commission shows that some 3,945 partnerships reported gross receipts totaling $375,241,000. There is at present no tax imposed upon partnerships as such, the theory being that the partnership income is reported and tax paid by the individual partners. This theory is somewhat questionable in the case of non-resident partnerships.

The comparison made of partnerships and corporations cannot be exact, because the two forms do not stand on equal ground. More partnerships than corporations are reported, and corporations have twice the income. The industry groups represented by the corporations differ in many respects from partnership groups, with corporations more frequent in complex industries. Taxes paid by corporations are higher than those paid by partnerships, as would be expected under present laws; and return on investment is higher for partnerships than corporations. The partnerships have an advantage over corporations in the tax field,

but their legal character has made a separate tax difficult to apply equitably.

Some states have, however, used unincorporated business levies of low millage rates upon gross business done. Such a tax would be justifiable as a measure toward equalization of the total tax burden of corporations and partnerships. At an average rate of ¼ of 1 per cent it could yield about $1 million to the general fund.

Consumer Sales and Use Tax

Utah relies heavily upon the consumer sales and use tax for its state revenue needs and properly so in this economy. The sales tax is assessed at the rate of 2%, which is in line with the majority of states although a 3% rate is not uncommon and there appears to be a trend in that direction. The consumer sales tax yield is largely determined by Utah population distribution.

Forty-three percent of the population reside in five municipalities—Salt Lake City, Ogden, Provo, Logan and Murray—within which are 65 per cent of the taxable sales. Sales tax collections in Salt Lake City alone amounted to an estimated 46.7 per cent of the state total in 1953.

Salt Lake County contains 40 per cent of the state population—Weber, Utah and Cache, 29 per cent of the population. Within these four urban counties are 75 per cent of all estimated taxable sales.

The four largest counties, Salt Lake, Weber, Utah and Cache—contain two-thirds of the state population; slightly less than three-fourths of all sales tax collections and estimated taxable sales.

There are two principal sources of loss of revenue in the present sales and use taxes which, if additional revenue is required, may well provide as much as $2.5 million annually at the current 2% rate or $3.8 million at a 3% rate.

It is recommended that the present exemption of sales of services, where such services are rendered in connection with the sale of goods, be repealed to the extent that it applies to services rendered in the connection with the sale of goods. While estimates are difficult to make from present records, it would be reasonable to anticipate additional revenue of up to $700,000 annually from this change.

It is also recommended that, in view of the practice in other states, and if additional revenue is required, the present exemption of sales of margarine, cigarettes, motor fuel and beer be repealed. These four exemptions are currently reducing the tax yield by an estimated $1,845,000 annually. Their repeal in entirety would make this sum available to balance budget requirements; the repeal of the exemption of sales of margarine, cigarettes, and beer would provide approximately $500,000 annually in additional revenue.

The sales tax is of such a nature that it has been found peculiarly suitable to the revenue needs of local government in other states where there was a desire to relieve real estate of some part of its tax burden. In Utah, the most efficient way in which this tax could be made to serve a similar purpose, while avoiding the possible discrimination of buyers against municipalities which levy the tax, would be through the adoption of an additional penny in the tax rate; and the distribution of all or part of the yield of such penny (estimated at $9 million) to the municipalities in proportion to the source of the tax collections. Such a proposal would mean an estimated $4.2 million annually to Salt Lake City, for example, if the entire additional yield were so distributed; and it would therefore appear more realistic to distribute only part of the additional yield and retain the balance to meet such revenue needs of the state as may be established.

Individual Income Tax

This major source of state revenue, which yielded $5,682,080 in fiscal 1954, is constitutionally dedicated for school purposes. It is well established in the state revenue structure and provides a reasonable proportion of state tax revenue, as compared with other states. Certain basic features of incomes in Utah are significant—

> Individual incomes in Utah do not rise as high nor fall as low as in other states.
>
> Utah ranks 39th among the states in population but 29th in the number of federal income tax returns made per 1,000 population.
>
> Utah has 0.46 per cent of the national population and its residents filed 0.44 per cent of the national total number of federal income tax returns, upon which they reported 0.42 per cent of the national total of adjusted gross income.
>
> In its percentage of the national total of income tax liability, however, Utah drops to 0.31 per cent of the national total tax, as compared with its 0.42 per cent of the national total adjusted gross income. This is apparently the effect of Utah's relative shortage of taxpayers in the level of $10,000 and above combined with the larger number of personal exemptions due to Utah's high birth rate.
>
> The number of federal income tax returns filed by Utah residents and the total adjusted gross income reported thereon have been proportional to the State's population; but its per cent of the national total of dividends and interest reported and of income tax liability incurred was low in proportion to its population. The reasons for this condition have already been suggested.

As a result of legislative changes beginning in 1950, the state income tax law is now, in effect, two tax laws. This results in confusion and inequities among taxpayers and needless expense of administration.

> The individual income tax act should be fully revised so as to consolidate all its provisions and options in a single

statute, after consideration of the changes in the federal law incorporated in the Internal Revenue Code of 1954.

The splitting of income between husband and wife was adopted in the federal revenue act solely as a device to equalize the operation of the law in community property states and other states. It has no justification in a state income tax law which already allows a marital exemption, but so long as Utah retains the desirable policy of integrating the state law with the federal law, the income splitting provision would be appropriate in the state law. It is recommended that such a change be made part of the proposed complete revision of the state individual income tax law, and in consideration of the net revenue effect of all changes combined.

The rate structure of the Utah income tax is recognized as "steeply progressive." A comparison with the rates imposed in other states shows that this state's lowest rate and highest rate are exceeded in many other income tax states.

The extremely and sharply progressive rates of the federal income tax bear heavily upon the upper income levels and, therefore, might warrant a flat rate for the state income tax.

The lower rates applicable to lower income levels in Utah, however, recognize the tendency of the consumer sales to bear more heavily on these groups.

All factors considered, the present rate structure is not likely to be improved substantially by further adjustments in the degree of graduation.

The main motivation for most of the legislative changes adopted since 1950 has been to simplify tax reporting for the average taxpayer, through the adoption of a short form of return. The result has not been as beneficial as might have been expected due to the complications of the operation of two schemes of administration (long form and short form) side by side.

Other states have successfully used withholding similar to the federal system as a means to simplify payments by taxpayers and also to increase state tax revenues by reaching non-residents and others who may not be reporting.

As part of the needed revision of the individual income tax law, it would be desirable for Utah to adopt a withholding provision applicable to wages and salaries. While an accurate estimate of the increased yield cannot be made, it would be reasonable to anticipate an increase of from 5% to 10% in the tax yield, or about $250,000 to $500,000 annually.

If withholding is adopted, moreover, it will be practical and desirable to abolish the present short form and substitute the federal type of short form applicable to income from salaries and wages of less than $5,000 annually.

GENERAL CONCLUSIONS

This summary of the review of the tax structure is necessarily limited to the principal findings and conclusions. The report itself documents and amplifies the various points which have been mentioned. In the last analysis, however, taxes are a matter of public values which must be hammered out in the give and take of the legislative process. We would emphasize once again, however, that this review of available tax sources is not meant to suggest a total of unused taxing power but rather to point out alternatives. If additional revenue is needed it is clear that the balance of Utah's tax system can best be maintained by apportioning the added burden equitably over the major tax bases—property, income and sales.

Respectfully submitted,

s/ John F. Sly

s/ William Miller

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TAX POLICIES IN UTAH

Chapter I

THE REVENUE NEEDS OF THE STATE

The present study of the tax system of Utah was undertaken to resolve certain large questions of state fiscal policy that came to a head in 1953. At that time, the state was presented with a report by a distinguished committee relating to the broad subject of the extent of state responsibility for the financing of public schools. This report, which was a major contribution to public thinking in the matter of educational finance, required some choice of tax policy, namely, should the state discharge its responsibility through greater reliance on the property tax or through the development of non-property tax revenues.

Prior to the presentation of the school finance study, the state was also committed to a sensible program of tax reduction. In the face of the mounting demands of the federal government upon all taxpayers, many state administrations have taken the view that it is their responsibility to relieve their taxpayers, insofar as possible, of the burdens of state and local taxation, so that the combined burden of federal, state and local taxes would not become intolerable. Reduction in state tax revenues from non-property tax sources, however, presented the need to reconcile this policy with the implications of the school finance study. To a considerable extent, the legislation of the Special Session of 1953 represented a reasoned compromise between these major policies:

1) It established a school employees' retirement system integrated with the federal social security act. The state's obligation will include 5½ per cent of participating payrolls for all local district employees. This contribution, estimated at $1.6 million for the 1955 fiscal year, will be paid out of revenues dedicated to school purposes.

2) A supplemenal appropriation of $1,525,000 was made from the mine occupation reserve fund to provide additional revenue for the minimum school program for the 1954 fiscal year. This appropriation was made out of the surplus available in the fund pursuant to the statutory formula.

3) A new school aid formula was adopted to provide state aid of approximately $17.5 million (in addition to the $1.6 million for the retirement contribution) for the fiscal year 1954-55 (Spec. Sess. of 1953, Chapters 26, 27, and 35). The new law requires all school districts to levy at least 12 mills per dollar toward a basic program of $4,050 per class (school distribution unit) whether or not such millage is required for this purpose.[1] In at least two districts, the

[1]A district may select a program of $3,450 with a 10-mill levy required, or other alternatives up to $4,050 with 12 mills.

yield of 12 mills will exceed the school program requirements and the amount of the excess reverts to the uniform school fund to assist in financing the school aid formula generally. This was a partial recourse to the property tax to meet the financial requirements of additional state participation in the equalization of educational opportunity.

4) Revenues to the uniform school fund were increased in part by resort to the property tax as already noted, and in part by a doubling of the rate of the cigarette tax (Chapter 34).

5) Local fiscal capacity was strengthened by provision for a revaluation of all taxable property in each county at least once every five years, by the State Tax Commission in cooperation with the county assessors.

6) The Special Session left yet to be determined the ways and means of providing in future years an amount of annual revenue at least equal to the appropriations made from surplus sales tax funds as well as to eliminate the necessity for a state-wide property tax. These and other questions of future revenue needs were left to be decided after a careful study of the state's revenue system.

Disbursements

During the fiscal year ending June 30, 1954, the State of Utah spent $84.8 million for all services and disbursed $110.9 million for all purposes. Broadly speaking, these funds were disbursed as follows:[1]

Purpose	Millions of Dollars	Millions of Dollars	Per Cent Total
Education		$ 34.5	(40.7)
State Aid	$22.2		26.2
College and University	11.3		13.3
Other	1.0		1.2
Highways		22.0	(25.9)
State Roads	19.6		23.1
B and C Roads	2.4		2.8
Institutional		4.5	(5.3)
Hospitals and Institutions	3.3		4.0
Penal and Correctional	1.2		1.3
Public Welfare		14.5	17.1
Public Health		1.2	1.4
General Government		6.8	8.0
Liquor Profits to Local Govt.		1.0	1.1
Debt Service		.15	0.2
Miscellaneous		0.2	0.2
Total Expenditures		$ 84.8	100%
Non-expenditure Items		26.1	
Total Disbursements		$110.9	

Source: Utah Legislative Council.
[1]For a further breakdown, see Appendix, Table 1.

The non-expenditure item ($26.1 million) represents disbursements which do not support true service outlays; but are in the form of investments, purchases or trust commitments (liquor purchases, property acquisitions, pension fund payments, etc.) which are, in effect, balancing items in all-fund accounting. The total expenditures ($84.8 million) are true service disbursements; and it will be noticed that 83.7 per cent ($71.0 million) of this sum is spent for three purposes—education, highways and public welfare. From a practical standpoint, these are almost irreducible items. The remainder, 16.3 per cent ($13.8 million) is almost wholly for general government purposes; about one-third of which ($5.7 million) is for hospitals, institutions, health and penal requirements.

* * * * *

Receipts to All Funds

During the fiscal year ended June 30, 1954, the State of Utah received total receipts for all state funds of $112.4 million. Of this sum, $28.3 million were non-revenue receipts—the reduction of inventories, sales of property, proceeds of borrowing, etc. Broadly speaking, all revenue receipts ($84.1 million) were received (1954) from the following sources:[1]

Revenue sources yielding $2 million or more

	Millions of Dollars	% Revenue Receipts
Sales and use tax	$18.0	21.4%
Federal grants-in-aid	16.4	19.5
Motor vehicle revenues	16.5	19.6
Income taxes	9.8	11.6
Mine occupation tax	2.1	2.5
General property tax	3.6	4.3
Liquor profits	3.6	4.1
College fees	3.0	3.6
	$73.0	86.8%
All other revenue sources		
All other	11.1	13.2
Total	$84.1	100.0%

The General Fund

The general fund is a barometer of state solvency. In 1954, this fund received revenues of $21.9 million and showed disbursements of $19.3 million (Appendix Table 2). Its revenues are composed of—

1) Proceeds from certain taxes, licenses, fees and earnings known as "free revenue" (to distinguish from dedicated revenue), which accounted (1954) for $8.5 million—39 per cent of the fund (Appendix Table 3).

[1]For a further breakdown, see Appendix, Table 6.

2) Proceeds from departmental collections ("dedicated credits"), including certain licenses and fees, proceeds from sales and services, federal grants, etc., amounting to $4.7 million—21 per cent of the fund.

3) Transfers from various special funds into the general fund, amounting to some $8.7 million—40 per cent of the fund (Appendix Table 2).

Appropriations from the general fund are almost wholly for the general purpose functions of state government. The largest item is for education—about 70 per cent. The remainder (30 per cent) supports, for the most part, the conventional departments of government. Appropriations and revenues have long been in balance; but there was some apprehension in the spring that the biennium closing June 30, 1955 might show a deficit in the general fund in excess of $1 million. However, liquor markups effective in May; reductions in state expenditures ordered by the Governor; and some upward adjustments in revenues, have brought the general fund in balance with a surplus of some $300,000 (Appendix Tables 2 and 4).

There will, however, be a shortage in other fund surpluses that have been used to support the general fund. At the close of fiscal 1955, some $1.6 million of sales tax surplus will have been used; $1.3 million of the 1953 general surplus will have been used; and $1.5 million of the mine occupation tax reserve will have been used. The 1953 Legislature appropriated an emergency relief fund balance for state buildings and other construction of $6.3 million.

With allocations from the building fund balance (prior to July 1, 1953) of $1.5 million, this left a balance of appropriation uncovered in the 1953-1955 biennium of $4.8 million. The 1953 Legislature had anticipated that $1.5 million from the emergency relief fund would be available toward reducing this balance. No surplus funds (above a $5 million required reserve) have been available. The result of operations of the general fund, emergency relief fund, and the uniform school fund is as follows:

Beginning balance in the three funds (July 1, 1953)	$10,126,000
Mine reserve fund surplus appropriated to school fund	1,525,000
Total	$11,651,000
Less estimated surplus balance in each fund, June 30, 1955	7,782,000
Net reduction in surplus funds	$ 3,869,000
One-half biennium reduction	$ 1,935,000

If all appropriations for buildings made by the 1953 Legislature were met ($4.9 million), the net reduction in surplus of $3.9 million would be increased by this amount . . . a total of $8.8 million for the biennium. The Legislature, however, anticipated only $1.5 million for buildings, even though the total appropriations exceeded this amount. Upon the basis of the foregoing figures, the Legislative Council has estimated that—

If the Legislature keeps its present commitments and provides a minimum building fund, it will require about $2.7 million of additional revenue each year of the next biennium.

It is clear that the state, on a cash basis, is operating in the black, but it is committing some of its surplus funds and shows a bookkeeping deficit.

This is important: Appropriation commitments for state buildings have not received full revenue support.

Dedicated Funds

When and if additional funds are required for state government, a major factor in deciding how they shall be raised and from whom is created by the legal dedication of certain state revenues solely for certain purposes. In effect, a dedicated revenue is one which by constitutional or statutory provision can be used only for some specified purpose, regardless of the amount of revenue or the comparative need for the specified purpose as compared with other purposes of state government. Dedicated revenues are sometimes popularly known as earmarked revenues.

Dedicated or earmarked revenues have developed for a variety of reasons, some logical and some political. In a few instances, such as the predatory animal bounty tax and fish and game fees, the law imposes what is in form a tax but is in effect a special service charge. In these cases, as well as in the clearly designated service charges, like state university tuition fees, the idea of dedicated revenue is not truly expressed, nor does the practice present any significant problem in state finance.

Three principal revenue resources of the state are dedicated to particular uses, and it is these three dedications which present the major problem in state finances. They include:

	Fiscal 1954	
	Amount	Per Cent of State Total Tax Revenues
Highway user revenues	$16,131,848	31.7%
Consumer sales tax	17,995,540	35.4
Income taxes—Individual	5,682,080	11.2
Income taxes—Corporate	4,127,615	8.1
	$43,937,083	86.4%

Highway user revenues are dedicated to the construction, maintenance and repair of highways as a matter of legislative practice. This practice is sanctioned by legislation or constitutional provision in the great majority of states. While it may be difficult to support the principle now that the automobile has become a common household convenience, the practice is firmly established in state fiscal policy and widely accepted in public thinking. It is also a practical necessity in Utah to maintain a satisfactory highway system. No useful purpose could be served by a re-examination of this aspect of dedication at the present time.

The consumer sales and use tax is by statute credited to the emergency relief fund established for public welfare purposes. The statute still recalls the economic depression purpose when it was passed in the form of the Emergency Revenue Act of 1933. It now provides (UCA 1953, Sec. 59-15-21) that: "All revenue collected or received by the State Tax Commission for the licenses and taxes imposed by this act shall be deposited daily with the State Treasurer to be credited by him to the emergency relief fund. . . ." The statute also provides that "expenditures from said fund shall be made as provided by legislative appropriations for public welfare purposes and to cooperate with the national government or other governmental agencies in a social and work relief program for the aid of the needy and destitute, the aged, the orphans and dependent children of this state . . . and for other purposes as provided by law."

This provision of the statutes is obviously obsolete, not only in its frame of reference but also in regard to the activities and financial needs of the state government. The Legislature itself has from time to time recognized that the dedication of the sales tax was a product of the time when the act was first adopted and that changed conditions warrant a changed use of this revenue for the common good of the people of the state. For example:

For the fiscal years 1946 and 1947 the Legislature provided that all monies in the emergency relief fund in excess of a balance of $6 million shall be paid into the state general fund (Laws of Utah, 1945, Ch. 111, Sec. 1).

The budget for the 1954-1955 biennium was financed by the appropriation of about $2.0 million for general fund purposes.

It is apparent that the earmarking of sales tax revenue by statute to the emergency relief fund has not prevented the use of such revenues for other purposes whenever the Legislature has found it necessary or desirable. It was only in this way—through the diversion of $15.1 million in sales tax collections—that the state avoided substantial new taxes to finance general fund and school fund purposes during the biennium 1953-1955, the result of which may be summarized as follows:

	General Fund Free Revenue	Emergency Relief Fund (Sales Tax)	Uniform School Fund
Balance 7-1-53	$ 1,647,000	$ 8,130,000[1]	$ 349,000
Receipts 1953-54	8,465,000	18,168,000	14,959,000
Est. Revenue 1954-55	8,443,000	18,000,000	10,650,000
Biennium Appropriation Transfer	2,000,000	—15,100,000	13,100,000
Approp. Mine Reserve Fund			1,525,000
Total Available	$20,555,000	$29,198,000	$40,583,000
Biennial Appropriation	19,814,000	22,748,000	356,000
Est. Deficit Less Lapsing Balances	429,000		
Allocation to Districts 1953-54			20,310,000
Est. Allocation to Districts 1954-55			18,897,000
Total Appropriated	$20,243,000	$22,748,000	$39,563,000
Estimated Ending Balance 6-30-55	312,000	6,450,000[1]	1,020,000

[1]Includes $5 million reserve balance required by law.
Source: Utah Legislative Council.

Income taxes are believed to be dedicated to the public schools by Article XIII, Section 3 of the Constitution of the State of Utah as amended in 1946. That section of the Constitution provides: ". . . All revenue received from taxes on income or from taxes on intangible property shall be allocated to the support of the public school system as defined in Article X, Section 2 of this Constitution."

As a result of this provision of the Constitution, revenue received by the state from the individual income tax and the income measure of the corporate franchise tax has been deemed to be earmarked for state aid for schools. This dedication, being by constitutional provision, is beyond the power of the Legislature to modify. In effect, therefore, any consideration of an increase or reduction in the individual income tax or the income measure of the corporate franchise tax must be immediately confused with questions of state policy toward the support of public schools.

Conversely, when the public schools desire additional funds, pressure is placed upon these two "income taxes" since dedication tends to create the impression among service groups that the tax belongs to them. When the yield increases, on the other hand, even though there is no demonstrated need for additional state aid for schools, the increased funds cannot be used for any other purpose, even though the state requires additional revenues for such worthy activities as hospitals and institutions. The pressure for revenue for these purposes must accordingly be concentrated on the sales tax.

Governors and official commissions have repeatedly criticized the practice of earmarking of state revenues as being harmful to sound state finances.[1] In its 1946 report, the Utah Foundation concluded that a modified or controlled earmarking was the best available expedient under the practical and political circumstances then existing. That is, that dedication or earmarking of funds could be continued provided that the revenue collected is expended only after budgeting and legislative appropriation. In effect, this policy has been followed, and has resulted in more effective control over state expenditures. The same policy cannot, however, resolve the situation of earmarked revenues accumulating unless appropriated for the specific purpose. Nor does it answer the question of state finances when a major service such as education has become accustomed to live on the revenues of income taxes, which are fluctuating in yield, at a time when the yield declines.

The effect of the dedication of taxes "on income" to the support of the public school system is also open to question. It has been assumed that the constitutional language dedicated not only the individual income tax but the yield of that part of the corporate franchise tax which is measured by income. The difficulty is that a tax on income is legally and practically different from a tax measured by income. The tax on corporations is not a tax on income. It is a corporate franchise tax exacted by the state for the privilege of doing business in the state in the corporate form. It is measured by the greater of an income base at a stated rate or a property base at a stated rate. The two bases are inseparable in operation and in legal theory.

---

[1]See Utah Foundation, *Earmarking of State Revenues in Utah* (1946), pp. 1 and 23 et seq.

There is an important difference between income as a subject of the tax and as the measure. If income were the subject of the tax, there could not be a property tax basis for measuring the minimum alternative. Nor could the taxable income include interest on federal bonds which it now includes. It is plain that the corporate franchise tax is not a tax "on income" but rather a tax measured in part by income.

While the question may have been deemed settled in Utah, in view of the important differences between the two types of taxes, as a matter of general jurisprudence, it would seem that any legal opinion short of a Supreme Court decision is open to question.

The total effect of the dedication of revenues upon the power of the Legislature to control expenditures, and on state fiscal policy generally, was illustrated by the experience of the state during the fiscal year ended June 30, 1954.

Of the $84.1 million total revenue receipts, at least $64 million (76 per cent) is in the form of funds dedicated by law or political usage to specific purposes. These funds are committed by Constitution, statute, practice or contractual relations with the federal government (federal aid), to specific service purposes, and therefore cannot be considered as free funds for other purposes. For example, Utah's income taxes, motor vehicle revenues and federal aid ($42.7 million) are dedicated funds. From liquor profits, $1 million is distributed to municipalities and counties; and the sales and use tax is legislatively earmarked for crediting to the emergency relief fund. This condition has some bad features, especially when frozen by constitutional provisions:

> It prevents a flexible support of service requirements; tends to over-emphasize expansion in special service programs; and leaves the Legislature little control over its own appropriations.
>
> It compels new taxes as the first alternative, when the limited "free revenues" fail to meet service requirements.
>
> It focuses new tax requirements only on tax paying groups that are already in the "free revenue" class.

With these points in mind, the conclusions are these:

> From a realistic standpoint, there is little hope for substantial reductions in the present state expenditure program.
>
> Even if substantial reductions could be made, very little additional revenue would be available for general purposes.
>
> The State of Utah should avoid any further dedication of its tax resources, and would be well advised to consider the elimination of any dedication by constitutional provision.

Chapter II

THE TAX ECONOMY OF UTAH

A state may tax persons, things or activities within its jurisdiction to provide for its people the protection, regulation and services of government. All forms and types of taxation, it will be found, rest upon one or the other of these three subjects of taxation. In distributing the burden among these subjects, a variety of measures are available to fix the amount of the tax, including income, capital values, units of goods, benefits received, and combinations of these. Since the measure of a tax is important in determining its revenue yield, a study of the state tax system must necessarily be concerned with both subjects and measures. The area of this concern may well be designated as the tax economy of the state.

In Utah, as in other states, there is a most uneven distribution of tax resources among the various areas of the state. With the passage of time and the development of new economic opportunities, such as the opening of new mining claims to produce uranium as well as established metals, natural gas and petroleum, the establishment of recreational and resort areas, and the growth of manufacturing and trading centers, these differences among the areas of the state tend to be reduced. As of the present, however, it must be recognized that inequality in the distribution of taxable resources is a natural factor in comparative tax yields.

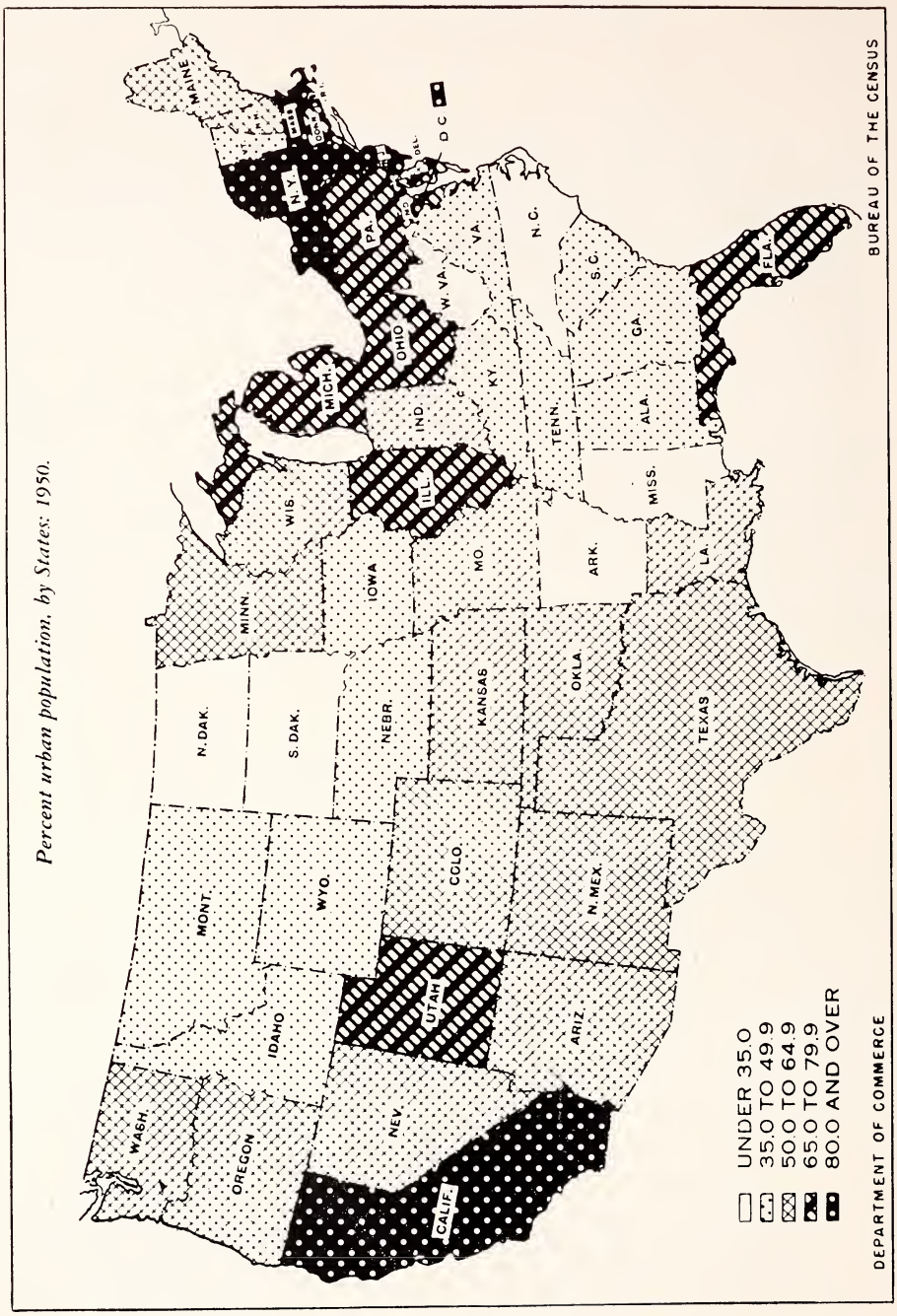
Viewing the state as a whole, Utah stands out as a median state in its tax economy.

The Population and Its Trends

Of first importance in the problems of government, as well as in the ability of the state to support the cost of government, is the number, industry and characteristics of its population. In this respect, vast land areas and very light average population density is notable among the Mountain States. While the population per square mile in these states was 5.9 in 1950, the national average was 50.7 and no state outside of this region fell below 15 persons per square mile except North and South Dakota. As we know, this measure of population per square mile is, at best, badly distorted in a state such as Utah, due to the fact that approximately 70 per cent of the state's land area is federally owned and the state's population is concentrated in a limited number of communities. The result is that:

Utah has one of the lightest population densities in the United States (8.4 persons per square mile), but it is also one of the most urbanized states in the Nation, as measured by the Bureau of the Census standards, ranking in this respect with Illinois, Michigan, Ohio and Florida. (See Plate I)

In total population, Utah ranks 39th among the states as compared with 38th for Arizona, 40th for New Mexico and 34th for



Percent urban population, by States: 1950.

Colorado. Since 1930, when it was 40th among the states, Utah has grown in population more rapidly than the national average, as well as the average for the Mountain States, with a 25 per cent increase in population between 1940 and 1950. This represented an increase in the state's population of 137,000 persons in that decade.

One of the notable features of the population of this state is its high birth rate, 30.8 per thousand population in 1950, which was not equalled by any other state in the Nation except New Mexico. Utah's death rate of 7.2 per thousand population was also more favorable in 1950 than that of any other state. The combination of high birth rate and low death rate has contributed to the superior growth of the state's population without the benefit of any substantial inmigration of population from other states.

From the viewpoint of family size, available data measuring the population per family shows that Utah had 3.83 persons per family in 1950, a larger family size than any other Mountain State except New Mexico and also somewhat larger than the national average of 3.60 per family. As among the states, there were many among the South Atlantic group with family size comparable to Utah, but in general the population per family appeared to be slightly greater in Utah according to the census of 1950 than in other states.

There is some indication, however, that larger families may mean a greater number of wage earners per family in Utah. In 1950, 51.7 per cent of the population of the state 14 years old and over was in the labor force as compared with 51.6 per cent in Kansas, 53.2 per cent in Texas and an average of 52.5 per cent for the Mountain States. There is not sufficient difference among the states in this respect, particularly after allowance for unemployment, to warrant any general conclusion. It is clear, however, that relatively fewer women in Utah in proportion to population are actively in the labor force as compared with other states. While 78.9 per cent of the males over 14 years of age are in the labor force, as compared with a national average of 78.7 per cent and a Mountain States average of 78.1 per cent, only 24.4 per cent of the females over 14 years of age are reported in the labor force in Utah, as compared with a national average of 28.9 per cent and a Mountain States average of 25.8 per cent. Here again, the Utah tendency can be matched in other states, such as the Dakotas, and does not clearly indicate any condition peculiar to this state.

The population of Utah has shown a healthy growth, and a slightly larger than average family size, coupled with the possibility of more wage earners per family and a comparatively smaller proportion of the female population in the labor force.

Economic Characteristics

While there are a number of ways of comparing the economic characteristics of states, there are no measures of relative capital values which are reliable. Accordingly, the most frequently used guides to economic capacity are those dependent upon the national income data collected and analyzed by the United States Department of Commerce. These data are annually compiled so as to report the

income payments received by individuals resident within each state. On the basis of this information, it appears that—

Government employment and other income payments provide a larger share of income received by individuals in Utah than it does in any other state in the Northwest, and is among the highest in the Nation.

Mining payrolls provide a greater share of individual income payments received by individuals in Utah than in any other state in the Northwest, except Wyoming, and are among the highest proportion in the Nation.

Agricultural income provides a notably small proportion of total income payments received by individuals in Utah, as compared with other states in the Northwest, although the Utah percentage of 5.2 per cent compares favorably with the national average of 5.3 per cent and with the proportion of such income in the states of the Far West (See Table 1).

Table 1

SOURCES OF INCOME RECEIVED BY INDIVIDUALS, UTAH AND SELECTED STATES AND REGIONS, 1953

State and Region	Agricultural Income[1]	Government Income Payments[2]	Manufacturing Payrolls	Trade & Service Income[3]	Construction Payrolls	Mining Payrolls
Continental United States	5.3	15.9	25.7	26.0	4.0	1.4
New England	1.3	15.1	33.4	24.1	3.3	.1
Middle East	1.2	15.1	27.7	27.3	3.6	1.5
Southeast	10.1	20.5	18.6	25.6	4.8	1.5
Southwest	8.7	19.0	12.5	26.5	4.4	5.3
Central	5.7	12.2	33.4	24.2	3.8	.7
Northwest	14.6	18.5	11.5	26.2	4.0	2.7
Colorado	7.6	21.7	11.5	28.1	4.6	2.1
Idaho	17.9	17.1	11.2	25.1	4.7	2.3
Kansas	8.5	17.3	18.6	25.0	4.0	2.2
Montana	21.3	16.6	7.4	24.7	4.0	5.6
Nebraska	19.4	16.2	11.0	26.9	3.2	.2
North Dakota	28.9	16.4	2.3	29.1	3.6	1.3
South Dakota	32.5	18.3	4.5	25.4	3.1	1.0
Utah	**5.2**	**23.6**	**11.3**	**25.3**	**4.2**	**7.3**
Wyoming	12.4	19.1	6.3	25.6	5.1	8.8
Far West	4.9	18.8	19.4	28.2	5.0	.8
California	4.6	18.6	19.5	28.5	5.0	.8
Nevada	3.7	17.8	4.3	33.6	9.4	4.5
Oregon	6.5	15.9	22.1	28.0	3.9	.2
Washington	5.6	21.5	19.1	26.5	5.0	.3

[1]Consists of net income of farm proprietors (including value of change in inventories of crops and livestock), farm wages, and net rents to landlords living on farms.

[2]Consists of pay of state and local and of Federal civilian employees, net pay of the armed forces, allotments of military pay to individuals, mustering-out payments to discharged servicemen, veterans' benefit payments (consisting of pensions and disability compensation, readjustment allowances, self-employment allowances, cash subsistence allowances, state government bonuses to veterans, cash terminal-leave payments and redemptions of terminal-leave bonds, adjusted compensation benefits, military retirement payments, national service life insurance dividend disbursements, and interest payments by Government on veterans' loans), interest payments to individuals, public assistance and other direct relief, and benefit payments from social insurance funds.

[3]Consists of wages and salaries and proprietors' income.

Source: U. S. Dept. of Commerce, Office of Business Economics.

Table 2

INCOME PAYMENTS RECEIVED BY INDIVIDUALS BY TYPE OF PAYMENT UTAH AND SELECTED STATES

(Amounts in Millions of Dollars)

State	Wages and Salaries		Proprietors' Income		Property Income		Other Income		Total Amount
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
California	$ 17,177	69.1%	$ 3,447	13.9%	$ 2,785	11.2%	$ 1,447	5.8%	$ 24,856
Colorado	1,517	64.1	395	16.7	280	11.8	175	7.4	2,367
Delaware	571	69.2	86	10.4	135	16.4	33	4.0	825
Idaho	514	60.4	204	24.0	78	9.2	55	6.5	851
Iowa	2,099	53.1	1,191	30.1	441	11.2	223	5.6	3,954
Kansas	2,020	65.0	600	19.3	315	10.1	175	5.6	3,110
Maine	875	68.0	148	11.5	165	12.8	99	7.7	1,287
Montana	587	56.6	295	28.4	92	8.9	63	6.1	1,037
Nebraska	1,147	55.5	583	28.2	232	11.2	103	5.0	2,065
Nevada	301	67.2	70	15.6	56	12.5	21	4.7	448
New Hampshire	557	68.1	90	11.0	114	13.9	57	7.0	818
North Dakota	395	49.1	299	37.2	64	8.0	46	5.7	804
Oklahoma	1,861	62.3	549	18.4	300	10.0	276	9.2	2,986
Oregon	1,857	67.2	450	16.3	269	9.7	186	6.7	2,762
South Carolina	1,694	70.5	386	16.1	161	6.7	162	6.7	2,403
South Dakota	403	45.0	573	41.7	70	7.8	49	5.5	895
Utah	**784**	**70.8**	**164**	**14.8**	**92**	**8.3**	**68**	**6.1**	**1,108**
Vermont	355	67.2	73	13.8	64	12.1	36	6.8	528
Washington	3,216	69.0	705	15.1	436	9.4	306	6.6	4,663
West Virginia	1,751	71.9	302	12.4	184	7.6	198	8.1	2,435
Wyoming	341	67.5	93	18.4	47	9.3	24	4.8	505
U. S. Total	$188,383	69.6%	$38,086	14.1%	$28,360	10.5%	$15,748	5.8%	$270,577

Source: U. S. Dept. of Commerce, Survey of Current Business, Aug. 1954.

Manufacturing payrolls provided 11.3 per cent of income payments received by individuals in Utah, which compared favorably with the 11.5 per cent average for the states of the Northwest and the 12.5 per cent for the states of the Southwest, although it was considerably below the national average of 25.7 per cent. (See Table 1).

These basic data emphasize that the Utah economy is more sensitive to changes in government employment, including the Armed Forces, and in mining activity, than are the great majority of other states. Conversely, any tax system which is well balanced will necessarily provide in Utah a larger share of its revenue yield from these two economic sources, in proportion to the total, than a similar system would provide in other states. Toward a better balanced economy, the development of manufacturing and especially the tremendous growth of iron and steel industry in Utah since World War II, has been one of the most significant events in diversifying the state's tax resources.[1]

Despite these differences in the source of income payments received by individuals in Utah, as compared with other states, the state does not differ greatly from the average in the extent to which income received by individuals takes the form of wages and salaries, proprietors' income, property income, or other income. Of the total of $1.1 billion in income payments received in 1953 in this state—

70.8 per cent came from wages and salaries, as compared with a national average of 69.6 per cent from this source.

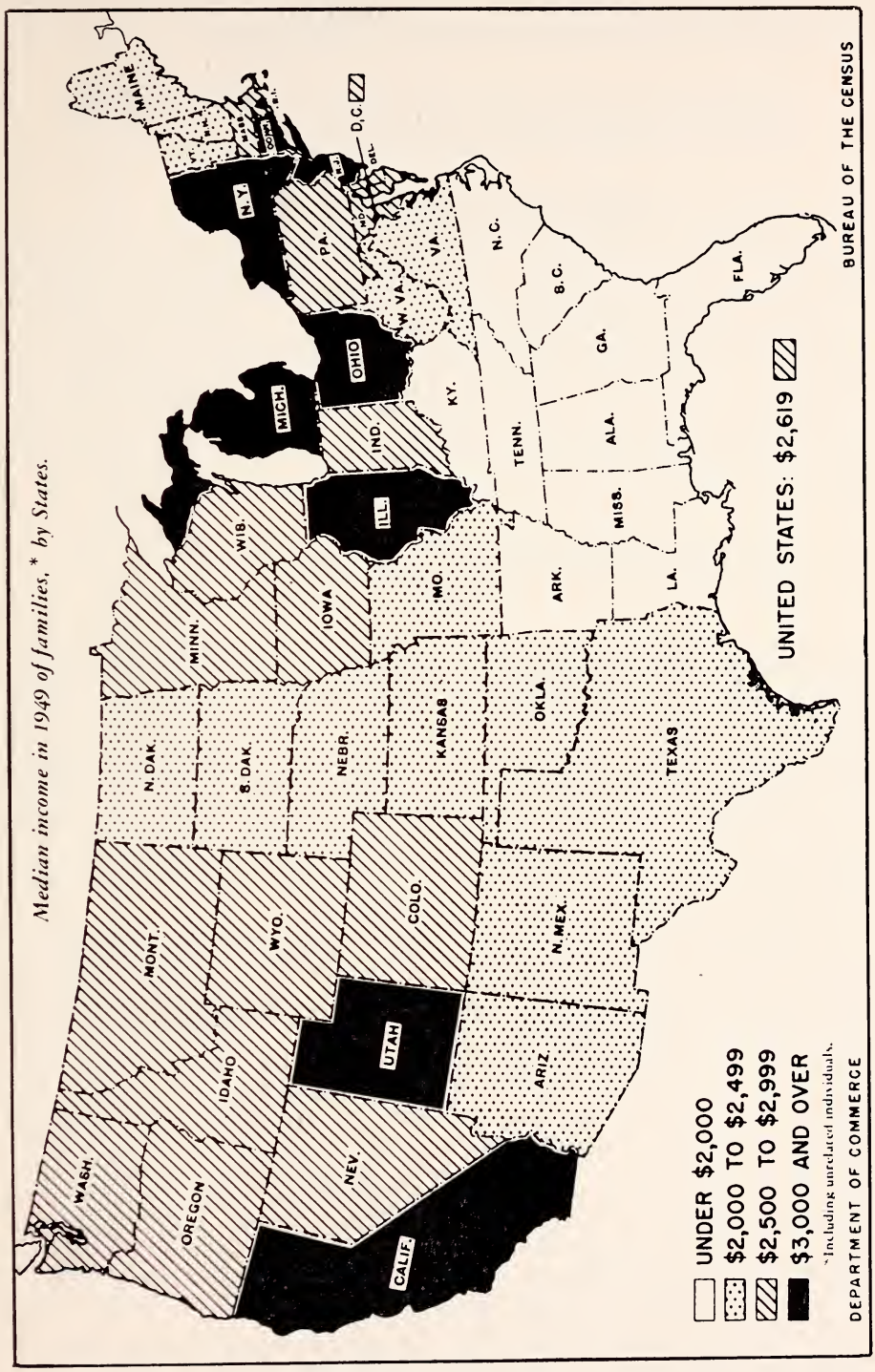
14.8 per cent came from proprietors' income (that is, individuals and partners operating farms and businesses) as compared with 14.1 per cent from this source in the national total.

8.3 per cent came in the form of property income (that is, interest, dividends, net rentals and royalties) as compared with 10.5 per cent in the national total from this source.

As shown in Table 2, a selected group of states exhibits considerable variation in these percentages, and it is fair to observe that Utah tends toward the high side in the percentage of wages and salaries and toward the low side in the percentage of income coming from property income.

Any explanation of the reasons for the extremes shown in these percentages, as among the states, must be largely speculative. Such an explanation may range from the extent to which corporations are looked upon with disfavor in Idaho, Iowa and the Dakotas, to the reputation for frugality and saving in Vermont and New Hampshire. For present purposes, it is not so important to recognize the reasons for extremes of difference but rather to recognize that Utah does not depart too widely from the general experience of most states in the type of income payment received by this state's residents.

[1]See University of Utah, Bureau of Economic and Business Research, *Utah's Economic Patterns* (1953), pp. 133 et seq.


Median income in 1949 of families,* by States.
MAINE
N.Y.
PA.
D.C.
OHIO
MICH.
W.VA.
VA.
KY.
IND.
ILL.
WIS.
MINN.
IOWA
MO.
N.C.
S.C.
GA.
ALA.
MISS.
LA.
FLA.
TENN.
ARK.
OKLA.
TEXAS
N.DAK.
S.DAK.
NEBR.
KANSAS
COLO.
N.MEX.
ARIZ.
UTAH
WYO.
MONT.
IDAHO
NEV.
OREGON
WASH.
CALIF.
UNITED STATES: $2,619
UNDER $2,000
$2,000 TO $2,499
$2,500 TO $2,999
$3,000 AND OVER
*Including unrelated individuals.
DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

Similarly, as compared with other states, the amount of Utah's per capita income payments from all sources were about the median —Utah ranked 25th among the states by this measure.[1]

This means at least that a tax system which is balanced according to conventional notions will not be unbalanced because of peculiarities of the state's economy.

Income Levels Within the State

There are two main sources of information relating to the distribution of income among individuals in Utah and other states. These are the Internal Revenue Service in the U. S. Treasury Department and the Bureau of the Census in the U. S. Commerce Department. Both agencies provide the most reliable data available, for purposes of comparison, despite the fact that most national data are collected by scientific sampling methods which are subject to some margin of error. As a reasonable measure of broad national tendencies, moreover, it is unnecessary to have the precise calculations that would be required of the statement of an individual's accounts.

Based upon the Bureau of the Census compilations, Utah stands out as a state in which income levels do not fall as low nor rise as high as in other states.

Among the states, as shown in Table 3, the median income of families and unrelated individuals in Utah in 1950 was greater than that in any other Mountain State, and was very close to that in the industrialized Middle Atlantic and East North Central States. In this respect, Utah's $3,001 of median income exceeded the national total of $2,619 and was close to the Pacific States average of $3,004 and the California median of $3,021. While the median income is somewhat higher among urban and rural non-farm families and unrelated individuals than it is for the total including farm families and individuals, the general position of Utah remains unchanged (See Plate II).

While 21.03 per cent of all families and unrelated individuals had less than $1,000 in income in 1949, only 16.44 per cent of such persons were at this income level in Utah. There were proportionately fewer people in this under $1,000 group in Utah than in any other Mountain State and, by a shade, than in the industrialized Middle Atlantic States (See Table 4). The same table shows that the most frequent income level in Utah was between $3,000 and $3,999. By comparison, in New England, the most frequent level was between $2,000 and $2,999, and the same was true among the West North Central States and the Mountain States as a group. It is also significant that a high percentage of Utah individuals were in the $4,000 to $6,000 bracket as compared with other states. Contrary-wise, there was only one group of states which had a smaller percentage of its individuals in the $10,000 and over income level, namely, the East South Central States. While these data are for the most recent year

[1]For a detailed analysis of per capita and other measures of income payments among the states, see U. S. Department of Commerce, Survey of Current Business, August number of each year.

Table 3

NUMBER OF FAMILIES AND UNRELATED INDIVIDUALS BY INCOME LEVEL IN 1949 AND MEDIAN INCOME: 1950

UTAH AND SELECTED STATES AND REGIONS

	Total[1]	Less than $1,000	$1,000 to $1,999	$2,000 to $2,999	$3,000 to $3,999	$4,000 to $5,999	$6,000 to $9,999	$10,000 and over	Median Income Total	Median Income Urban and Rural non-farm
United States	49,362,030	10,379,755	7,485,600	8,468,880	7,836,390	7,640,525	3,467,625	1,210,315	$2,619	$2,782
New England	3,051,810	549,290	409,710	583,290	525,185	498,370	209,730	76,040	2,801	2,835
Middle Atlantic	9,967,815	1,643,460	1,190,330	1,786,715	1,743,340	1,773,295	867,085	317,575	3,020	3,052
East North Central	10,054,195	1,705,265	1,195,345	1,702,620	1,866,275	1,871,975	864,030	271,375	3,063	3,146
West North Central	4,729,975	1,050,275	785,370	862,710	734,620	667,275	273,540	100,995	2,432	2,577
South Atlantic	6,541,345	1,697,595	1,267,970	1,141,770	816,305	751,615	340,905	122,025	2,081	2,289
East South Central	3,325,430	1,161,390	722,230	527,415	336,375	279,185	109,165	40,620	1,555	1,943
West South Central	4,624,470	1,268,755	904,045	743,110	581,510	551,755	233,450	98,720	2,021	2,230
Mountain	1,664,000	335,845	264,070	291,010	281,145	254,415	104,815	39,585	2,620	2,711
Montana	204,065	40,560	31,135	34,510	36,570	31,725	13,535	5,520	2,718	2,837
Idaho	186,800	32,630	30,085	36,450	32,350	29,120	11,725	4,110	2,685	2,787
Wyoming	102,150	17,210	15,295	15,860	18,145	18,945	7,440	2,765	2,964	3,109
Colorado	462,105	97,785	76,150	83,475	72,610	66,780	28,320	11,555	2,514	2,569
New Mexico	201,880	47,205	35,680	32,495	27,855	27,055	12,725	4,855	2,301	2,447
Arizona	240,345	55,860	41,025	40,370	38,680	33,040	12,370	5,210	2,375	2,446
Utah	204,805	33,670	26,040	38,385	44,160	36,825	13,450	3,805	3,001	3,043
Nevada	61,850	10,925	8,660	9,465	10,775	10,925	5,250	1,765	2,982	3,060
Pacific	5,402,990	967,880	746,530	830,240	951,635	992,640	464,905	143,380	3,004	3,042
Washington	878,405	162,245	125,285	130,665	160,310	160,350	66,175	19,565	2,955	3,016
Oregon	543,920	102,195	74,380	89,755	100,825	99,780	40,510	13,150	2,933	3,021
California	3,980,665	703,440	546,865	609,820	690,500	732,510	358,220	110,665	3,021	3,051

[1]Total includes 2,872,940 with income not reported.
Source: Statistical abstracts of the United States, 1953, p. 291.

Table 4

PER CENT DISTRIBUTION OF FAMILIES AND UNRELATED INDIVIDUALS BY INCOME LEVEL, 1949

UTAH AND SELECTED STATES AND REGIONS

	Families and Unrelated Individuals		Income Level						
	Total Number	% Report Income	Less Than $1,000	$1,000 to $1,999	$2,000 to $2,999	$3,000 to $3,999	$4,000 to $5,999	$6,000 to $9,999	$10,000 and over
United States	49,362,030	94.18%	21.03%	15.16%	17.16%	15.88%	15.48%	7.02%	2.45%
New England	3,051,810	93.44	18.00	13.43	19.11	17.21	16.33	6.87	2.49
Middle Atlantic	9,967,815	93.52	16.49	11.94	17.92	17.49	17.79	8.70	3.19
East North Central	10,054,195	94.25	16.96	11.89	16.93	18.56	18.62	8.59	2.70
West North Central	4,729,975	94.60	22.20	16.60	18.24	15.53	14.11	5.78	2.14
South Atlantic	6,541,345	93.83	25.95	19.38	17.45	12.48	11.49	5.21	1.87
East South Central	3,325,430	95.52	34.92	21.72	15.86	10.12	8.40	3.28	1.22
West South Central	4,624,470	94.74	27.44	19.55	16.07	12.57	11.93	5.05	2.13
Mountain	1,664,000	94.40	20.18	15.87	17.49	16.89	15.29	6.30	2.38
Montana	204,065	94.85	19.88	15.26	16.91	17.92	15.55	6.63	2.70
Idaho	186,800	94.47	17.47	16.10	19.51	17.32	15.59	6.28	2.20
Wyoming	102,150	93,65	16.85	14.97	15.53	17.76	18.55	7.28	2.71
Colorado	462,105	94.50	21.16	16.48	18.07	15.71	14.45	6.13	2.50
New Mexico	201,880	93.06	23.38	17.67	16.10	13.80	13.40	6.30	2.41
Arizona	240,345	94.27	23.24	17.07	16.80	16.09	13.75	5.15	2.17
Utah	**204,805**	**95.86**	**16.44**	**12.71**	**18.74**	**21.56**	**17.98**	**6.57**	**1.86**
Nevada	61,850	93.39	17.66	14.00	15.30	17.42	17.66	8.49	2.85
Pacific	5,402,990	94.34	17.91	13.82	15.37	17.61	18.37	8.61	2.65
Washington	878,405	93.87	18.47	14.26	14.88	18.25	18.25	7.53	2.23
Oregon	543,920	95.71	18.79	13.67	16.50	18.54	18.34	7.45	2.42
California	3,980,665	94.26	17.67	13.74	15.32	17.35	18.40	9.00	2.78

Source: Statistical Abstracts of the United States, 1953, p. 291.

Table 5

COMPARATIVE YIELD OF FEDERAL INDIVIDUAL INCOME TAX, BY STATE, 1951

State	Population	Tax Per Capita of Total Population—1950		Tax Per Family Unit		
		Tax	Rank	Number of Family Units	Tax	Rank
Alabama	3,061,743	$ 68.98	46	786,205	$ 268.65	46
Arizona	749,587	130.72	25	210,403	465.71	24
Arkansas	1,909,511	49.80	48	524,708	181.23	48
California	10,586,223	219.22	7	3,336,391	695.59	10
Colorado	1,325,089	157.88	19	391,577	534.26	20
Connecticut	2,007,280	248.82	3	570,409	875.60	3
Delaware	318,085	356.71	1	90,361	1,255.69	1
Dist. of Columbia	802,178	255.64	2	224,099	915.07	2
Florida	2,771,305	125.34	28	821,982	422.59	30
Georgia	3,444,578	78.46	44	889,809	303.72	42
Idaho	588,637	109.06	33	169,264	379.28	34
Illinois	8,712,176	229.63	5	2,585,772	773.70	6
Indiana	3,934,224	159.64	18	1,169,306	537.13	19
Iowa	2,621,073	116.18	30	780,999	389.91	33
Kansas	1,905,299	130.64	26	587,678	423.53	29
Kentucky	2,944,806	78.80	43	779,669	297.64	43
Louisiana	2,683,516	94.76	36	724,534	350.96	35
Maine	913,774	94.30	37	254,668	338.36	38
Maryland	2,343,001	218.89	8	640,526	800.67	4
Massachusetts	4,690,514	177.04	14	1,307,450	635.13	13
Michigan	6,371,766	202.13	10	1,791,651	718.86	9
Minnesota	2,982,483	127.02	27	845,733	447.92	25
Mississippi	2,178,914	39.74	49	554,776	156.07	49
Missouri	3,954,653	147.16	21	1,198,977	485.37	22
Montana	591,024	142.98	23	175,614	481.20	23
Nebraska	1,325,510	133.84	24	394,615	449.57	26
Nevada	160,083	246.47	4	50,288	784.58	5
New Hampshire	533,242	123.88	29	155,174	425.71	28
New Jersey	4,835,329	206.44	9	1,374,477	726.25	8
New Mexico	681,187	113.83	31	177,216	437.56	27
New York	14,830,192	223.55	6	4,329,699	765.70	7
North Carolina	4,061,929	71.06	45	994,441	290.25	45
North Dakota	619,636	90.38	39	162,184	345.29	37
Ohio	7,946,627	195.13	12	2,314,629	669.92	11
Oklahoma	2,233,351	103.12	35	663,292	347.22	36
Oregon	1,521,341	179.65	13	479,294	570.22	17
Pennsylvania	10,498,012	171.22	16	2,918,632	615.85	14
Rhode Island	791,896	174.39	15	225,558	612.24	15
South Carolina	2,117,027	64.08	47	514,672	263.60	47
South Dakota	652,740	83.26	41	182,981	297.01	44
Tennessee	3,291,718	82.49	42	871,277	311.66	41
Texas	7,711,194	143.01	22	2,190,820	503.37	21
Utah	**688,862**	**109.94**	**32**	**188.075**	**402.67**	**32**
Vermont	377,747	91.01	38	103,538	332.05	39
Virginia	3,318,680	104.42	34	845,716	409.76	31
Washington	2,378,963	198.81	11	736,988	641.76	12
West Virginia	2,005,552	83.90	40	518,736	324.38	40
Wisconsin	3,434,575	152.60	20	968,184	541.36	18
Wyoming	290,529	168.35	17	84,288	580.28	16
U. S. Total	150,697,361	160.56		42,857,335	564.56	
Median		130.72	25		449.57	26

Source: Statistics of Income, 1951, Part 1, U.S. Treas. Dept., Internal Revenue Service; Dept. of Commerce, Bureau of Census.

available on a census basis, 1949, there is no reason to anticipate a substantially different distribution at present. In fact, the analysis of 1951 income tax returns, which follows, confirms this general observation.

> *So long as the pattern of income distribution thus described subsists in Utah, the taxation of individual incomes may be expected to eliminate fewer taxpayers due to personal exemptions, on the one hand, and may also be expected to produce less revenue from progressive rates on upper income brackets, on the other.*

An anaylsis of 1951 federal income tax returns confirms the view that Utah is somewhat below average in its ability to produce revenue under a progressive rate income tax. While the median state produced a tax yield per capita of the total population of $130.72, collections in Utah only produced $109.94 per capita. Utah thus ranked 32nd among the states in the productivity per capita under the federal income tax, and it also ranked 32nd among the states in the tax per family unit (Table 5). This may be compared with its rank of 26th among the states in per capita individual income payments received (in 1953). Both the relative scarcity of incomes above $10,000 and a possibly greater number of exemptions due to the high birth rate, may account for the lesser productivity of the federal progressive rate income tax in Utah as compared with other states (see Table 5).

In proportion to its population, Utah ranks well among the states in the number of federal income tax returns filed and in the adjusted gross income reported upon such returns (Table 6). For example—

> *Utah ranks 39th among the states in population but 29th in the number of federal income tax returns made per 1,000 population.*
>
> *Utah has 0.46 per cent of the national population and its residents filed 0.44 per cent of the national total number of federal income tax returns, upon which they reported 0.42 per cent of the national total of adjusted gross income.*
>
> *In its percentage of the national total of income tax liability, however, Utah drops to 0.31 per cent of the national total tax, as compared with its 0.42 per cent of the national total adjusted gross income. This is apparently the effect of Utah's relative shortage of taxpayers in the level of $10,000 and above combined with the larger number of personal exemptions due to Utah's high birth rate.*

Land and Agriculture

Two additional factors which may be of special significance in the tax environment of Utah are firstly, the extent of federal land ownership and secondly, the stability of farm land values. It is perhaps a matter of distinction that—

Table 6

FEDERAL INCOME TAX RETURNS FILED AND ADJUSTED GROSS INCOME REPORTED, BY STATE, 1951

State	Number of Returns: Per Thousand Population	Number of Returns: Rank	Number of Returns: % of National Total	Population as % of Total	Adjusted Gross Income: Average per Return: Amount	Adjusted Gross Income: Average per Return: Rank	Adjusted Gross Income: % State Total to National Total
Alabama	231	47	1.29	2.03	$3,182	35	1.11
Arizona	314	35	0.43	0.50	3,627	16	0.42
Arkansas	192	48	0.67	1.27	2,929	44	0.53
California	405	12	7.82	7.02	4,145	2	8.77
Colorado	379	20	0.91	0.88	3,590	18	0.89
Connecticut	446	3	1.63	1.33	4,080	4	1.80
Delaware	423	8	0.25	0.21	4,483	1	0.30
Dist. of Columbia	463	2	0.68	0.53	3,944	10	0.72
Florida	326	34	1.65	1.84	3,393	26	1.51
Georgia	245	45	1.54	2.29	3,163	36	1.32
Idaho	338	32	0.36	0.39	3,360	28	0.33
Illinois	426	6	6.77	5.78	4,120	3	7.54
Indiana	387	17	2.77	2.61	3,643	15	2.73
Iowa	364	25	1.74	1.74	3,208	34	1.51
Kansas	373	22	1.29	1.26	3,343	29	1.17
Kentucky	265	41	1.42	1.95	3,060	39	1.18
Louisiana	251	44	1.23	1.78	3,423	25	1.14
Maine	360	27	0.60	0.61	2,812	46	0.46
Maryland	559	1	2.39	1.56	3,459	24	2.23
Massachusetts	419	10	3.58	3.11	3,501	22	3.40
Michigan	401	14	4.66	4.23	4,076	5	5.14
Minnesota	363	26	1.97	1.98	3,333	30	1.78
Mississippi	147	49	0.58	1.45	2,975	43	0.47
Missouri	354	28	2.55	2.62	3,497	23	2.41
Montana	369	23	0.40	0.39	3,542	20	0.38
Nebraska	379	19	0.92	0.88	3,277	31	0.81
Nevada	437	4	0.13	0.11	3,969	8	0.14
New Hampshire	407	11	0.40	0.35	3,029	42	0.32
New Jersey	432	5	3.81	3.21	3,951	9	4.07
New Mexico	285	40	0.35	0.45	3,590	18	0.34
New York	425	7	11.48	9.84	4,036	6	12.54
North Carolina	255	43	1.89	2.70	3,046	41	1.56
North Dakota	329	33	0.37	0.41	3,029	42	0.31
Ohio	404	13	5.85	5.27	3,922	11	6.21
Oklahoma	302	37	1.23	1.48	3,272	32	1.09
Oregon	378	21	1.05	1.01	3,880	12	1.10
Pennsylvania	398	16	7.62	6.97	3,622	17	7.47
Rhode Island	423	9	0.61	0.53	3,372	27	0.56
South Carolina	232	46	0.89	1.41	3,056	40	0.74
South Dakota	341	31	0.41	0.43	2,808	47	0.31
Tennessee	260	42	1.56	2.18	3,140	37	1.33
Texas	308	36	4.33	5.12	3,703	14	4.34
Utah	**351**	**29**	**0.44**	**0.46**	**3,505**	**21**	**0.42**
Vermont	348	30	0.24	0.25	2,922	45	0.19
Virginia	302	38	1.83	2.20	3,268	33	1.61
Washington	401	15	1.74	1.58	3,974	7	1.87
West Virginia	294	39	1.07	1.33	3,120	38	0.91
Wisconsin	384	18	2.41	2.28	3,566	19	2.32
Wyoming	365	24	0.19	0.19	3,756	13	0.20
U. S. Total	365		100.00	100.00	3,694		100.00

Source: Statistics of Income 1951, Part 1, U.S. Treas. Dept., Internal Revenue Service, Dept. of Commerce, Bureau of Census.

Table 7

FARM REAL ESTATE INDEXES OF ESTIMATED VALUE PER ACRE 1912 TO 1953
UTAH AND SELECTED STATES
(1935-39 = 100)

	1912	1920	1930	1935	1940	1950	1953[1]
United States	117	205	138	95	102	204	253
New England	94	133	121	99	101	150	163
Middle Atlantic	111	154	120	96	102	178	215
East North Central	131	217	130	91	106	224	288
West North Central	140	265	157	98	94	203	255
South Atlantic	96	196	127	92	106	224	290
East South Central	96	197	126	92	110	261	324
West South Central	100	186	143	95	104	201	250
Mountain	133	204	138	95	103	211	250
Montana	183	236	135	95	104	236	270
Idaho	119	205	138	96	102	188	200
Wyoming	149	271	150	96	104	244	298
Colorado	169	242	142	92	105	256	285
New Mexico	124	178	136	94	104	232	269
Arizona	101	175	130	97	101	182	249
UTAH	114	190	144	95	102	161	175
Nevada	141	198	146	96	102	160	172
Pacific	89	146	133	95	101	169	196
Washington	120	171	135	94	103	192	208
Oregon	122	162	135	93	105	177	195
California	77	139	133	96	100	163	194

[1]Preliminary.
Source: U. S. Dept. of Agriculture, Bureau of Agricultural Economics.

The federal government owns a larger percent—71 percent—of the land area of the state of Utah than of any other state except Nevada.

There are various implications to the extent of federal land ownership in Utah. Such ownership obviously withdraws the land from state and local taxation, but it also reduces the area of governmental services to be provided by the state and local governments. It tends to concentrate private development of the land within 29 per cent of the state's land area; and this can have important implications in holding down the cost of government in a state of large land area such as Utah. It tends to provide necessary grazing land, but it also tends to interfere with the revenue system of the state in its application to unpatented mining claims on federal lands. While it would be inappropriate to attempt to evaluate federal land policy in this report, it is well to recognize at least that Utah is peculiarly

influenced, perhaps in both revenues and expenditures, by the extent of federal land ownership within its boundaries.

Secondly, the stability of farm real estate values in Utah, in face of rising price pressures, is notable in Utah. Such values have been estimated by the Federal Bureau of Agricultural Economics for many years, and for most of the states. Using the value of 1935-1939 as 100, an index of farm real estate values in the United States shows:

The national index was 138 in 1930, dropped to 95 in 1935 and has been rising ever since to 253 in 1953.

It is only in the New England states, Utah and Nevada that this national trend has not been matched. As shown in Table 7, the Utah index was 144 in 1930 and was only 175 in

Table 8

POPULATION DENSITY AND RESIDENCE BY COUNTIES

County	Population, 1950 Total		Area and density, 1950		Urban-rural residence, 1950		
	Number Apr. 1	Increase, 1940 to 1950	Land area in square miles	Population per square mile	Urban population	Rural nonfarm population	Rural farm population
The State	688,862	25.2	82,346	8	449,855	158,387	80,620
Beaver	4,856	—3.2	2,587	2	....	3,675	1,181
Box Elder	19,734	4.8	5,594	4	6,790	5,807	7,137
Cache	33,536	12.5	1,175	29	16,832	8,606	8,098
Carbon	24,901	34.9	1,474	17	12,313	11,352	1,236
Daggett	364	—35.5	708	*	....	164	200
Davis	30,867	95.6	268	115	14,183	11,815	4,869
Duchesne	8,134	—9.2	3,260	3	....	3,886	4,248
Emery	6,304	—10.9	4,442	1	....	3,515	2,789
Garfield	4,151	—21.0	5,217	*	....	2,954	1,197
Grand	1,903	—8.1	3,692	*	....	1,547	356
Iron	9,642	15.7	3,300	3	6,106	2,527	1,009
Juab	5,981	—19.1	3,412	2	2,990	2,541	450
Kane	2,299	—10.2	4,105	*	....	2,096	203
Millard	9,387	—2.4	6,648	1	....	5,845	3,542
Morgan	2,519	—3.5	610	4	....	1,489	1,030
Piute	1,911	—13.3	753	3	....	1,030	881
Rich	1,673	—17.5	1,022	2	....	704	969
Salt Lake	274,895	29.9	764	360	233,439	32,348	9,108
San Juan	5,315	12.8	7,884	*	....	4,048	1,267
Sanpete	13,891	—13.5	1,597	9	....	11,721	2,170
Sevier	12,072	—0.3	1,932	6	4,212	4,618	3,242
Summit	6,745	—22.6	1,860	4	....	4,845	1,900
Tooele	14,636	60.3	6,911	2	7,269	6,302	1,065
Uintah	10,300	4.1	4,476	2	2,845	3,318	4,137
Utah	81,912	42.7	1,998	41	64,939	8,633	8,340
Wasatch	5,574	—3.1	1,194	5	2,963	1,412	1,226
Washington	9,836	6.1	2,425	4	4,562	3,258	2,016
Wayne	2,205	—7.9	2,489	*	....	1,363	842
Weber	83,319	46.9	549	152	70,439	6,968	5,912

*Less than 1 person per square mile.
Source: County and City Data Book, 1952, U.S. Department of Commerce.

Table 9

EMPLOYED PERSONS BY SELECTED MAJOR INDUSTRY GROUPS BY COUNTIES

	Labor force, 1950								
	Employed persons by selected major industry groups								
						Percent of employed			
County	Total employed[1]	Agriculture	Mining	Manufacturing	Wholesale and retail trade	In agriculture	In manufacturing	In mining	In Trade
The State	228,866	28,337	12,077	27,932	46,699	12.4	12.2	5.3	20.4
Beaver	1,469	449	31	41	200	30.6	2.8	2.1	13.6
Box Elder	6,300	2,415	13	329	936	38.3	5.2	0.2	14.9
Cache	9,835	2,535	15	835	1,818	25.8	8.5	0.2	18.5
Carbon	7,827	305	3,869	195	1,090	3.9	2.5	49.4	13.9
Daggett	130	79	6	5	5	60.8	3.8	4.6	3.8
Davis	9,562	1,217	24	793	1,680	12.7	8.3	0.3	17.6
Duchesne	2,552	1,252	77	99	326	49.1	3.9	3.0	12.8
Emery	1,987	786	424	27	182	39.6	1.4	21.3	9.2
Garfield	1,137	465	8	60	146	40.9	5.3	0.7	12.8
Grand	642	149	80	6	100	23.2	0.9	12.5	15.6
Iron	3,253	739	389	108	605	22.7	3.3	12.0	18.6
Juab	1,778	441	267	213	261	24.8	12.0	15.0	14.7
Kane	698	230	2	57	95	33.0	8.2	0.3	13.6
Millard	2,790	1,366	18	76	335	49.0	2.7	0.6	12.0
Morgan	825	300	43	70	106	36.4	8.5	5.2	12.8
Piute	531	300	37	10	49	56.5	1.9	7.0	9.2
Rich	527	335	6	15	43	63.6	2.8	1.1	8.2
Salt Lake	99,783	2,515	5,095	14,035	25,811	2.5	14.1	5.1	25.9
San Juan	1,744	765	200	174	113	43.9	10.0	11.5	6.5
Sanpete	4,214	1,856	36	229	542	44.0	5.4	0.9	12.9
Sevier	3,795	1,237	45	398	680	32.6	10.5	1.2	17.9
Summit	2,019	636	203	142	279	31.5	7.0	10.1	13.0
Tooele	4,673	353	328	615	538	7.6	13.2	7.0	11.5
Uintah	3,002	1,124	283	122	378	37.4	4.1	9.4	12.6
Utah	24,057	2,989	282	6,170	4,138	12.4	25.6	1.2	17.2
Wasatch	1,580	526	210	94	224	33.3	5.9	13.3	14.2
Washington	2,906	989	35	110	466	34.0	3.8	1.2	16.0
Wayne	643	380	16	22	47	59.1	3.4	2.5	7.3
Weber	28,609	1,604	35	2,882	5,506	5.6	10.1	0.1	19.2

[1]Includes employed persons classified in forestry and fisheries, private households, entertainment and recreation services, public administration, and industry not reported, which are not included in any group shown separately here.

Source: County and City Data Book 1952, U. S. Department of Commerce.

1953. As a true tax base, farm real estate in Utah has failed comparatively to reflect the economic changes of the past 20 years, at least as measured by this index of estimated values.

Inter-county Differences

Any discussion of the economic character of a state as a whole can hardly fit individual counties, yet it is in the separate counties that we find the people obliged to face their problems of local government. It is, therefore, significant that Utah has only three counties, Davis, Salt Lake, and Weber, with an average population density of over 50

persons per square mile, and only three additional counties, Cache, Carbon and Utah, having an urban population of 10,000 or more persons.

Uneven growth and density (Table 8) — It is notable that over the decade between 1940 and 1950, there was a marked trend for the lightly settled to lose population and for the more fully settled counties to gain population. While Tooele County was a notable exception with a 60 per cent increase in population of this sparsely settled county, the major increases were realized in Carbon (34.9 per cent), Davis (95.6 per cent), Salt Lake (29.9 per cent), Utah (42.7 per cent), and Weber (46.9 per cent) Counties. It is in these counties alone that we may be concerned with the problems

Table 10

INCOME AND EDUCATION BY COUNTIES

County	Number of families, 1950	Income in 1949 of families, 1950			Percent Persons over 25 who completed
		Median family income	Percent having incomes		High School or more
			Less than $2,000	$5,000 or more	
The State	169,925	$3,264	21.9	18.0	49.9
Beaver	1,295	3,143	26.3	19.2	46.9
Box Elder	4,755	2,765	28.7	12.8	41.9
Cache	8,235	2,695	31.6	12.1	56.8
Carbon	5,865	3,499	14.1	16.9	32.0
Daggett	70	....	....	....	....
Davis	7,745	3,281	16.9	16.2	52.9
Duchesne	1,720	2,145	46.2	10.9	35.3
Emery	1,565	2,379	41.1	5.7	34.9
Garfield	975	2,154	45.7	8.6	38.8
Grand	430	....	....	....	41.7
Iron	2,180	3,198	21.6	14.8	53.6
Juab	1,540	2,757	29.8	11.5	45.6
Kane	520	2,250	....	....	45.1
Millard	2,180	2,486	37.6	15.1	42.5
Morgan	570	2,731	29.1	12.7	52.2
Piute	410	....	....	....	35.8
Rich	410	....	....	....	49.7
Salt Lake	70,095	3,556	16.3	23.3	54.3
San Juan	1,025	2,011	49.8	11.3	25.2
Sanpete	3,425	2,101	47.3	4.7	41.8
Sevier	2,805	2,595	32.8	9.6	41.8
Summit	1,430	2,855	28.2	8.6	44.3
Tooele	3,675	3,473	13.8	19.1	41.9
Uintah	2,370	2,448	39.6	13.8	37.6
Utah	19,105	3,130	23.7	12.6	51.3
Wasatch	1,275	2,862	28.2	7.3	48.4
Washington	2,285	2,229	43.9	7.9	44.3
Wayne	500	2,109	....	....	31.0
Weber	21,470	3,426	17.7	20.3	48.7

Source: County and City Data Book 1952, U.S. Department of Commerce.

Table 11

VALUES AND RENTALS OF NON-FARM DWELLING UNITS, BY COUNTY, 1950

County	Total dwelling units, 1940	Total dwelling units, 1950	Non-farm dwelling units: Total number	One family dwelling unit structures: Median value	One family dwelling unit structures: County Index of Value	Renter-Occupied: Median gross monthly rent	Renter-Occupied: Median Contract monthly rent
The State	147,291	200,554	179,359	7,409	100	39.93	36.08
Beaver	1,312	1,478	1,139	4,955	67	37.10	30.60
Box Elder	4,810	5,649	3,790	5,888	79	37.45	33.43
Cache	7,878	9,617	7,365	6,491	88	33.67	31.22
Carbon	5,101	6,818	6,481	5,241	71	30.97	23.75
Daggett	131	103	51	....	....	....	....
Davis	3,862	8,438	7,575	8,570	116	35.00	30.15
Duchesne	2,208	2,189	1,221	4,521	61	41.74	36.12
Emery	1,818	1,883	1,089	3,345	45	28.59	22.75
Garfield	1,216	1,138	864	3,634	49	32.94	27.59
Grand	565	633	510	4,296	58	36.77	29.50
Iron	2,171	2,753	2,458	6,508	88	45.55	38.32
Juab	2,037	1,834	1,673	3,602	49	36.35	22.36
Kane	649	738	600	5,055	68	41.42	30.75
Millard	2,351	2,635	1,708	4,352	59	39.33	30.65
Morgan	745	773	512	5,450	74	34.59	25.75
Piute	585	548	342	2,854	39	....	....
Rich	582	537	256	3,855	52	....	....
Salt Lake	59,071	81,490	79,197	8,865	120	44.35	41.79
San Juan	1,087	1,328	967	3,555	48	41.46	32.00
Sanpete	4,167	4,366	3,674	3,776	51	28.69	21.75
Sevier	3,139	3,676	2,809	5,016	68	39.88	34.59
Summit	2,402	2,246	1,722	2,506	34	32.56	24.41
Tooele	2,416	4,969	4,141	6,202	81	34.09	31.48
Uintah	2,493	2,824	1,814	5,693	77	39.71	30.72
Utah	14,324	21,976	19,969	7,451	101	40.06	38.04
Wasatch	1,456	1,557	1,245	5,683	77	41.64	31.92
Washington	2,281	3,047	2,360	5,370	72	34.60	29.23
Wayne	520	615	394	4,890	66	....	....
Weber	15,914	24,696	23,163	7,417	100	37.89	33.04

Source: U. S. Department of Commerce, County and City Data Book, 1952.

of population growth and the need for additional schools and services which such population brings.

Even in a county which has lost population, however, shifts of population within the county may account for localized service needs as an exception to the rule.

Marked differences in occupations (Table 9)—Just as the counties differ greatly in their population density, so also do they differ in the manner in which their residents make a living. Among the state as a whole, 12.4 per cent of those employed work in agriculture, whereas 12.2 per cent work in manufacturing, 5.3 per cent in mining and 20.4 per cent in trades. As among the counties, however, the percentage in

agriculture ranges from 3.9 per cent in Carbon and 2.5 per cent in Salt Lake, to as high as 60.8 per cent in Daggett County. Among the persons employed in manufacturing, 23,000 out of a total of 28,000 in the state resided in the three counties of Salt Lake, Utah and Weber, in 1950.

Wide spread in incomes and education (Table 10) — Family income and education also varied considerably among the different counties. There were almost 170,000 families in 1950, with a median family income of $3,264. Of these, 21.9 per cent had incomes of less than $2,000 annually and 18 per cent of more than $5,000. About 50 per cent of the persons over 25 years of age had completed high school or more by way of education.

Within the counties, however, there was Carbon County with a narrower range of incomes, that is, only 14 per cent with less than $2,000 and only 16.9 per cent with more than $5,000, but only 32 per cent of the persons over 25 years of age had completed high school or more in 1950. In Sanpete County, where almost half of the families had annual income of less than $2,000, it is notable that 41.8 per cent of the persons over 25 years of age had completed high school or more, whereas, in Tooele County where only 13.8 per cent of the families had less than $2,000 in annual income, only 41.9 per cent of the persons over 25 years of age or over had completed high school or more.

Dwelling unit values and rentals (Table 11) — There were also notable differences among the values and rentals of dwelling units throughout the state, as among the counties, in 1950. On a state-wide basis, there were about 180,000 nonfarm dwelling units having a median value of $7,409 for the owner-occupied structures and a median contract monthly rent of $36.08 for the renter-occupied structures. As among the counties, however, Davis County structures had a median value of 116 per cent of the state-wide median, whereas Emery, Garfield, Juab, Piute, San Juan and Summit Counties had median values of less than 50 per cent of the state-wide median.

In Utah and Weber Counties, the median value was almost exactly the same as the state-wide median, whereas in Salt Lake County the median value was 120 per cent of the state-wide median. As among all the counties, the median contract monthly rent tended to follow the same pattern as the median value of owner-occupied structures.

Retail Sales

Notable variations among the counties in retail business activities and sales are shown in Chapter IX on the Sales Tax.

These differences among the counties in population density, rate of growth, economic conditions, education and housing underscore the diversity of problems that government must meet in a state such as Utah. They, of course, imply important variations in the needs, desire and ability to support governmental services. They suggest significant

variation in the unit cost of rendering such services as schools, roads, health and welfare. They imply the need for a tax system which will be sufficiently diversified to reach fairly and equitably the very diverse economic conditions among the counties, as well as to provide the revenue on a state-wide basis adequate to support essential governmental services.

Chapter III

THE GENERAL STATE TAX STRUCTURE

The Burden of State and Local Governments

It is often true that the general character of a government may be disclosed by the balance, equity and fairness of administration of its revenue system. Tested by this standard, Utah has good government beyond doubt.

It is estimated that the general revenues of state and local government in Utah from its own sources in 1953 (exclusive of utility and liquor stores revenue and insurance trust fund revenues) amounted to $111,514,000. Of this sum, state general revenues amounted to $57,783,000, and the combined total of local revenues amounted to $53,731,000. Over $27 million, or slightly more than one-half of the total local revenue, was raised by school districts.

Included in the state total, there is also $18,103,000 in revenues distributed in the form of state aid to school districts. These revenues amounted to practically 40 per cent of the revenues of all school districts (Table 12).

While the property tax has been the mainstay of local government, it is notable that in no case other than special districts did it provide as much as 70 per cent of the general revenues from their own sources of either cities, counties, school districts or special districts. In the case of cities, non-property tax sources of general revenues were sufficiently large that the property tax was not required to provide even half of the total of general revenues, as shown in Table 12.

In 1953, state taxes amounted to 52.6 per cent of the total of all taxes for general revenue purposes (that is, exclusive of unemployment compensation taxes) which are levied by state and local government combined in Utah. The way in which this important half of the tax burden is distributed within the state, may be illustrated by actual experience in the fiscal year ending June 30, 1954.

Table 12

GENERAL REVENUE OF STATE OF UTAH GOVERNMENTS, BY MAJOR SOURCE AND TYPE OF GOVERNMENT — 1953

(Amounts in thousands of dollars)

Unit of Government	Total	General Revenue From Own Sources						
		Taxes						
		All Taxes						
		Amount	%	Property	All Other Taxes	Charges and Miscel.	Inter-gov. Revenue	Tot. Gen. Rev. incl. Inter-gov.
Total	$111,514	$94,639	100.0	$42,952	$51,687	$16,875	....	....
State	57,783	49,805	52.6	383	49,422	7,978	$21,692	$79,475
Local, total	53,731	44,834	47.4	42,569	2,265	8,897	....	....
Cities	14,164	10,316	10.9	8,167	2,149	3,848	2,563	16,727
Counties	10,983	9,163	9.7	9,047	116	1,820	2,351	13,334
School districts	27,231	24,351	25.7	24,351	....	2,880	18,103	45,334
Spec. districts	1,353	1,004	1.1	1,004	....	349	9	1,362
				Percentages				
Total	....			....	....	....	....	....
State	72.7			0.5	62.2	10.0	27.3	100.0
Local, total	....			....	....	....	....	....
Cities	84.7			48.8	12.8	23.0	15.3	100.0
Counties	82.4			67.8	0.9	13.6	17.6	100.0
School districts	60.1			53.7	....	6.4	39.9	100.0
Spec. districts	99.3			73.7	....	25.6	0.7	100.0

Source: U. S. Bureau of the Census.

Existing Taxes

The tax structure of Utah, as measured by existing taxes, is as follows (exclusive of any state property tax):

	Actual[1] 1954 (000,000)	Est.[1] 1955	1954 % Total
1. Business and individuals			
A. On business			
Corporate franchise (income)	$ 4.1	$ 3.5	8.1
B. On business and individuals			
Motor vehicle registration and control	3.7	3.8	7.3
C. On individuals			
Income tax	5.7	5.5	11.2
Consumers sales and use tax[3]	18.0	18.0	35.4
Inheritance tax	.5	.5	1.0
2. Selected commodities and activities			
A. Commodities			
Motor fuel	12.8	13.7	25.2
Oleomargarine	.6	.6	1.2
School lunch (liquor tax)	.5	.5	1.0
Beer	.2	.2	.4
Cigarettes	1.2	1.7	2.4
B. Activities[2]			
Insurance	1.4	1.4	2.8
Mine occupation	2.0	2.0	3.9
Totals[1]	$50.8	$51.5	100.0%

Table 13 indicates selected data that gives a brief picture of what has happened to the tax liabilities of Utah between 1949 and 1953. Even over the past five years, property taxes have increased from $35.9 million to $47.4 million (32 per cent); and all other taxes and fees from $45.8 million to $62.5 million (36 per cent). It is true that the taxpayer is paying more taxes than ever before. It is also true that his taxpaying capacity is greater than ever before.

Utah's population, income and assessments have tended to keep pace with its tax increases. Population has increased from 685,000 to 760,000—11 per cent. Income payments to individuals have increased from $825 million to $1.1 billion—35 per cent; and assessed valuations from $824 million to $1 billion—24 per cent. It will be noticed that state and local taxes have kept a very constant ratio with income payments and assessed valuations; and this is in the presence of a federal tax impact represented by Internal Revenue collections in Utah which have increased from $44 million in 1949 to $147 million in 1953, 230 per cent—about 50 per cent more than Utah's combined state and local taxes.

[1]Detail may not add to totals due to rounding to millions of dollars.
[2]Excludes public utilities fees $6,420.
[3]It should not be overlooked that Utah business pays a substantial part of the sales and use tax on its purchases not for resale.

Table 13

COMPARATIVE BURDEN OF STATE AND LOCAL TAXES IN RELATION TO POPULATION, INCOME, AND ASSESSED VALUATIONS 1949-1953

(Total amounts in millions of dollars)

	Calendar Years				
	1949	1950	1951	1952	1953 Est.
Total Income Payments to Indiv.	$ 825	880	1,019	1,075	1,108
Assessed Valuation Total	$ 824	848	903	962	1,025
Population, July 1	685,000	688,862	709,000	737,000	760,000
Pupils in ADA Fiscal Year Beg. July 1	142,272	147,819	152,647	158,442	165,000
Assessed value per ADA	$ 5,792	5,737	5,916	6,071	6,212
Income per ADA	$ 5,799	5,974	6,676	6,747	6,788
Assessed Value per Capita	$ 1,203	1,231	1,274	1,305	1,349
Income per Capita	$ 1,210	1,274	1,439	1,459	1,500
Total All State and Local Property Tax Levied	$ 35.9	38.2	45.0	42.3	47.4
Per cent of Income	4.4%	4.3	4.4	4.0	4.2
Per cent Valuation	4.4%	4.5	5.0	4.4	4.6
Property Tax per Capita	$ 52.41	55.45	63.47	57.39	62.37
Prop. Tax. per Pupil in ADA	$ 252.33	258.42	294.80	266.97	287.27
Total all Other State Taxes and Fees Received Fiscal Year Beginning 7/1	$ 45.8	53.3	59.0	60.3	62.5
Per cent of Income	5.6%	6.0	5.8	5.6	5.6
Per cent of Valuation	5.6	6.3	6.5	6.3	6.1
Taxes and Fees per Capita	$ 66.86	77.37	83.22	81.82	82.24
Taxes and Fees per ADA	$ 321.92	260.58	386.51	380.58	378.79
Prop. Tax as per cent of Total State and Local Taxes and Fees	43.9%	41.7	43.3	41.2	43.1

Source: Compiled by Utah Legislative Council.

The impact of a rapidly rising price level has further modified such comparisons. While the use of consumer price indices to measure the value of public dollars has important limitations, it is at least interesting to note that the actual dollar operating cost of the public schools increased 216 per cent between 1940 and 1952; but in terms of 1952 dollars, the increase was 67 per cent. Reduced to average cost per pupil in average daily attendance, as determined by the School Survey Report, the increase becomes 157 per cent in actual dollars, or 36 per cent in constant 1952 dollars. State operating costs in actual dollars increased 149 per cent over the same period, but only 31 per cent in constant dollars.

Table 14 indicates, moreover, that measured in terms of income payments to individuals and ratio to assessed valuations, the property tax, income tax and sales tax have maintained a fairly even level of

Table 14

COMPARATIVE BURDEN OF PROPERTY, INCOME AND SALES TAXES FOR SELECTED YEARS, 1929-1953

Tax	Percentage of Income Payments	Percentage of Assessed Valuation	Amount Per Capita	Amount Per Pupil in A.D.A.
State and Local Property Taxes Levied				
1929	7.8%	2.9%	$41.95	$176.66
1932	12.8	3.2	35.29	142.14
1940	6.9	3.4	33.07	147.11
1944	3.1	2.9	32.16	164.20
1947	4.0	4.4	46.62	235.79
1950	4.3	4.5	55.45	258.42
1952	4.0	4.4	57.39	266.97
1953 est.	4.2	4.6	62.37	287.27
Income and Corporation Tax Collections				
1930	.1	....	.37	1.55
1933	.2	.1	.68	2.75
1940	.6	.6	2.78	12.36
1945	.6	.6	6.07	31.00
1948	.7	.8	8.68	43.93
1950	.8	.8	9.80	47.19
1952	1.0	1.2	14.67	68.12
1953	.8	.9	11.50	53.51
Sales and Use Taxes				
1930	....	....	....	....
1933	....	....	.03	.12
1940	1.6	.8	7.54	33.54
1945	1.1	1.1	11.66	59.52
1948	1.7	1.9	19.44	98.35
1950	1.7	1.7	20.46	98.49
1952	1.7	1.9	23.84	110.72
1953	1.6	1.8	23.31	108.45

Source: Compiled by Utah Legislative Council.

tax liability since 1940; although in terms of per capita burdens, each of these levies has roughly doubled since 1940. It is notable that the property tax is considerably lighter today in relation to income payments than it was in 1940 and is only one-third as burdensome, by this measure, as it was in 1932. The conclusion is—

> Utah has a balanced tax structure, well fitted to its economy, and developed with restraint.

Popularity of Present Taxes

The Utah Legislative Council sought the judgment of a variety of citizens and citizen groups on the adequacy of the present tax structure. Broadly speaking, the replies indicated satisfaction with the "broad base" program, and with its adaptation to Utah's economy. As to "fair and equitable" treatment, there was criticism of special taxes (oleomargarine, inheritance, oil, gas and uranium), and full awareness of the need for equalization of the property tax.

In a search for "loop-holes," there was emphasis on uniform assessments—particularly as between real and personal property—and considerable emphasis that "the whole assessment system needs overhauling." The assessment of inventories was criticized as unsatisfactory. There were those who thought the mining industry (particularly the metalliferous portion) was unfairly taxed both in law and administration as compared with other types of business; and that electric cooperatives were in a more favorable position than other types of utilities.

On the whole, the replies were in favor of minimizing all tax exemptions; stressed the importance of property tax limitation by statute only; and showed a general opposition to dedicated revenues. The question of "earmarked" or dedicated revenues received considerable attention. There was a strong feeling from groups now largely supported by dedicated revenues that such funds should be maintained; but replies not identified with service agencies urged, at least, that the practice of dedication be placed under restraint.

The State Tax Structures

As has been pointed out, Utah has a well balanced tax structure. Any comparison of tax impact as among other states must take this into account. In the 10 western states usually used for comparative purposes, three (Nevada, Washington and Wyoming) had no corporate income tax, and no individual income tax, and four (Idaho, Montana, Nevada and Oregon) had no general sales or gross receipts tax. Utah, with a diversified tax structure of income and sales, will show a correspondingly lower ratio in specific taxes because of lower rates; but is nevertheless in a position to produce its proportionate share of revenue, because of its diversified base.

Table 15 shows a broad comparison of the impact of Utah's state tax structure as compared to the United States as a whole. It emphasizes, as well as over all comparisons can, the points at which Utah departs somewhat from the national norm. It relies more heavily on sales tax revenue than the Nation's average—and very much more

Table 15

PER CENT DISTRIBUTION OF STATE TAX REVENUES UTAH AND UNITED STATES

1953

	Per Cent Distri. United States[1]	Utah Revenues	% ea. Utah Tax is to Total Revenue	Diff. Utah and U. S.
		(000)		
Sales and Gross Receipts	58.8%	$33,161	66.6%	7.8%
General Sales and Gross Rec.	23.1	17,171	34.5	11.4
Motor Fuels	19.1	12,192	24.5	5.4
Alcoholic Beverages	4.4	963	1.5	—2.9
Tobacco Products	4.4	942	1.9	—2.5
Insurance	3.0	1,401	2.8	— .2
Public Utilities	2.4	52	0.1	—2.3
Other	2.4	640	1.3	—1.1
Licenses	15.5	5,550	11.0	—4.5
Motor Vehicles and Oper.	9.6	3,710	7.4	—2.2
Corporations in general	2.5	128[2]	0.3	—2.2
Alcoholic Beverages	0.8	2	0.004	— .796
Hunting and Fishing	0.7	1,204	2.4	1.7
Other	1.9	456[3]	0.9	—1.0
Income	16.9	8,269	16.6	— .3
Individual	9.2	5,272	10.6	1.4
Corporation Net	7.7	2,997	6.0	—1.7
Property	3.5	383	0.8	—2.7
Death and Gift	2.1	648	1.3	— .8
Severance	2.7	1,844	3.7	1.1
Other	0.6	0	....	— .6
Total	100.0%	$49,805		

[1]Source: U. S. Bureau of the Census, State Tax Collections (1953), p. 3.

[2]Includes public utilities.

[3]Includes occupations and business.

Note: Figures compiled from federal sources do not check accurately with the State Auditors Reports, due to diffedences in classification.

heavily. The national average of sales and gross receipts to total tax revenue is 23.1 per cent. Utah's ratio is 34.5 per cent—a difference of 11.4 per cent. It is higher in motor fuels taxes (5.4 per cent); slightly higher in individual income taxes (1.4 per cent above the national average); high in severance taxes (almost over half again the national average); and slightly low in corporate net income tax comparisons. Utah's heavy reliance on sales tax revenues is to be expected. It is inevitable in states with high concentration of population in compact urban areas; lack of diversity in major business activities; and an extreme unevenness in the distribution of taxable wealth. Moreover, the dedication of income tax resources has left little flexibility, except on a sales tax base; and it can be expected that the pressure of service requirements will increase on this base as the years go on unless the dedication of revenues is reduced.

Broadly speaking, it can be concluded that—

Utah occupies a balanced position in the national tax and revenue picture;

It is high, relatively, in its reliance on sales tax support; approaches an average position in the income tax field; and shows sharp variations from the average in public utility revenues, severance taxes and inheritance taxes—low on public utilities and inheritance taxes and high on severance taxes. This does not necessarily mean that these bases are over- or under-burdened. It is merely a measure of the comparative tax environment from which Utah must draw its tax resources.

Comparative Tax Burden Among the States

A. Distribution by Level of Government

Utah and other states have experienced common financial difficulties which have arisen from a total environment rather than from local policies. This environment started with the necessary, even vital, tax adjustments of the depression period of the 1930's; annexed a revolutionary program colloquially known as the "welfare state"; absorbed the repercussions of two world wars and a violent aftermath; and ended on a three pronged dilemma:

1) Enormous (even incredible) tax pressures from the federal level;

2) The narrowing of tax bases that were normally available to the states; and

3) The consequent pressure on property (in almost every state the largest single revenue producer and the poorest administered tax).

Beyond this environment which has been common to all state and local government during the past 20 years, each state may have developed its own pattern of expenditure responsibilities among the various levels of government. For example, in some states welfare expenditures appear as a direct state expenditure, whereas in other states this item appears in the form of state aid to counties or other local governments. In the former case, all of the tax collections for this purpose will appear as state tax collections, whereas in the latter only the amount raised to provide the state aid moneys will appear as state tax collections. Some states emphasize more than others the device of state-collected locally-shared taxes, and this too tends to overstate state tax collections as compared with other states that do not use the same device. For these and other reasons, any comparison of state tax collections alone, exclusive of local collections, must recognize the distribution of responsibility for expenditures as between state and local governments.

On a national basis, the states were raising 43 per cent of the combined total of state and local general revenues in 1953 (See Table 16). Local governments raised 46.5 per cent of this total, and the federal government provided 10.5 per cent. As among the states, there

Table 16

DISTRIBUTIONS, BY LEVEL OF GOVERNMENT, OF STATE AND LOCAL GENERAL REVENUE, SELECTED STATES: 1953

(Dollar amounts in thousands)

State	Total[1]	Distribution by originating level of government					
		Federal (intergovernmental)	State "Own Sources" General Revenue	Local "Own Sources" General Revenue	Percent		
					Federal	State	Local
U. S., Total	$27,306,774	$2,869,670	$11,750,149	$12,686,955	10.5	43.0	46.5
Arizona	173,036	24,839	87,974	60,223	14.4	50.8	34.8
California	2,919,155	331,712	1,236,892	1,350,551	11.4	42.4	46.3
Colorado	310,455	46,743	128,398	135,314	15.1	41.4	43.6
Idaho	115,411	17,858	46,970	50,583	15.5	40.7	43.8
Montana	124,997	21,951	49,190	53,856	17.6	39.4	43.1
Nevada	57,334	11,261	20,336	25,737	19.6	35.5	44.9
New Mexico	151,119	27,134	96,271	27,714	18.0	63.7	18.3
Oregon	329,114	41,922	146,310	140,882	12.7	44.5	42.8
Utah	**135,327**	**23,813**	**57,783**	**53,731**	**17.6**	**42.7**	**39.7**
Washington	549,193	67,411	298,050	183,732	12.3	54.3	33.5
Wyoming	76,165	15,650	33,134	27,381	20.5	43.5	35.9

[1]Includes intergovernmental revenue from Federal Government.
Source: U. S. Bureau of the Census.

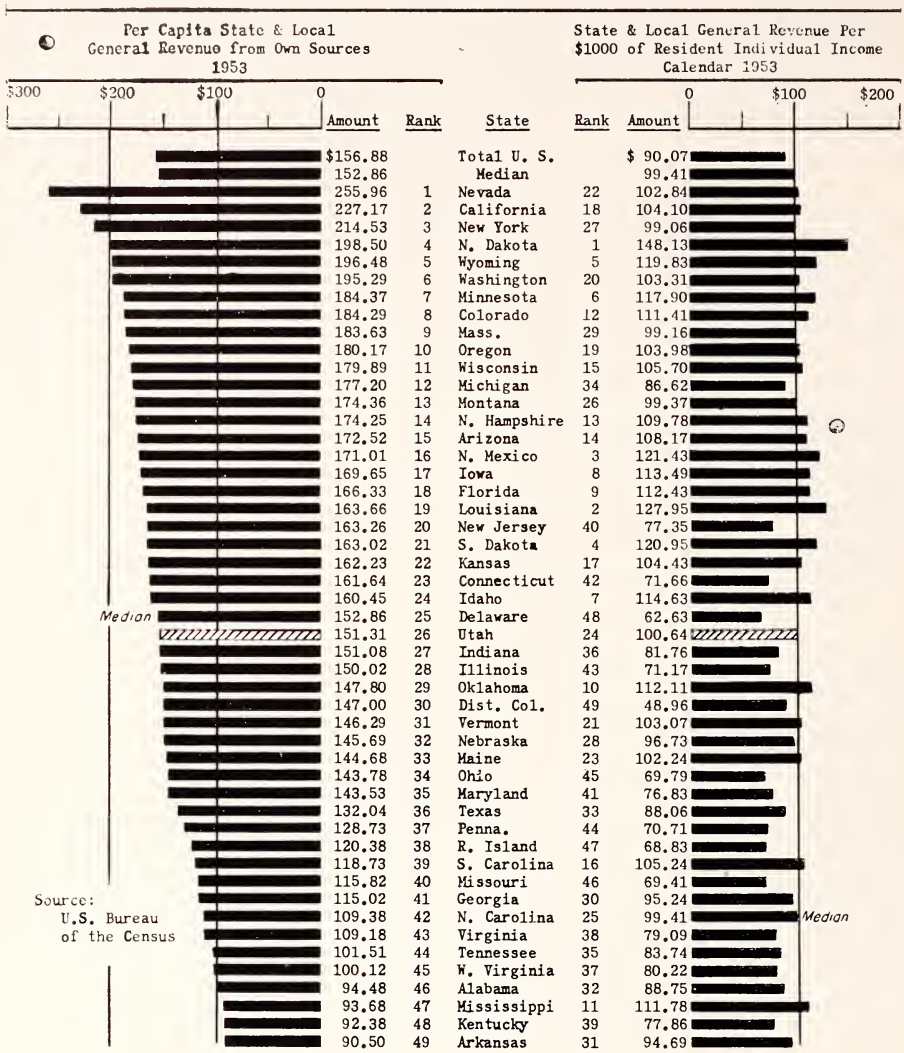
were substantial differences from these national averages. As shown in Table 16, revenues originating with the state government in Nevada amounted to only 35.5 per cent of the total state and local general revenues in that state, as compared with 63.7 per cent in New Mexico and 54.3 per cent in Washington on a similar basis. The Utah percentage, as shown by the same table, was 42.7 per cent raised by the state, practically the same as the national average, and 39.7 per cent raised by local government, which was substantially below the national average. The balance was made up by revenues collected by the federal government and paid to the state in a proportionately greater amount than the national average, 17.6 per cent in Utah as compared with 10.5 per cent for all states combined.

Comparative Tax Burden Among the States

B. Relative Measures

For want of the usual measures available to commercial enterprise interested in appraising its success, states and local governments commonly refer to the experience of other comparable units of governments for a standard by which to appraise themselves. States have frequently used per capita state tax collections for this purpose. Local governments have taken a similar view. From the individual taxpayer's standpoint, however, the per capita figure which is an average based solely upon the total population of the state or local government, has much less meaning than his own tax bill. That bill may vary with many factors not common to taxpayers generally, and it is also a composite of the demands of state and local government rather than of each of them independently.

CHART I



Amount	Rank	State	Rank	Amount
$156.88		Total U. S.		$ 90.07
152.86		Median		99.41
255.96	1	Nevada	22	102.84
227.17	2	California	18	104.10
214.53	3	New York	27	99.06
198.50	4	N. Dakota	1	148.13
196.48	5	Wyoming	5	119.83
195.29	6	Washington	20	103.31
184.37	7	Minnesota	6	117.90
184.29	8	Colorado	12	111.41
183.63	9	Mass.	29	99.16
180.17	10	Oregon	19	103.98
179.89	11	Wisconsin	15	105.70
177.20	12	Michigan	34	86.62
174.36	13	Montana	26	99.37
174.25	14	N. Hampshire	13	109.78
172.52	15	Arizona	14	108.17
171.01	16	N. Mexico	3	121.43
169.65	17	Iowa	8	113.49
166.33	18	Florida	9	112.43
163.66	19	Louisiana	2	127.95
163.26	20	New Jersey	40	77.35
163.02	21	S. Dakota	4	120.95
162.23	22	Kansas	17	104.43
161.64	23	Connecticut	42	71.66
160.45	24	Idaho	7	114.63
152.86	25	Delaware	48	62.63
151.31	26	Utah	24	100.64
151.08	27	Indiana	36	81.76
150.02	28	Illinois	43	71.17
147.80	29	Oklahoma	10	112.11
147.00	30	Dist. Col.	49	48.96
146.29	31	Vermont	21	103.07
145.69	32	Nebraska	28	96.73
144.68	33	Maine	23	102.24
143.78	34	Ohio	45	69.79
143.53	35	Maryland	41	76.83
132.04	36	Texas	33	88.06
128.73	37	Penna.	44	70.71
120.38	38	R. Island	47	68.83
118.73	39	S. Carolina	16	105.24
115.82	40	Missouri	46	69.41
115.02	41	Georgia	30	95.24
109.38	42	N. Carolina	25	99.41
109.18	43	Virginia	38	79.09
101.51	44	Tennessee	35	83.74
100.12	45	W. Virginia	37	80.22
94.48	46	Alabama	32	88.75
93.68	47	Mississippi	11	111.78
92.38	48	Kentucky	39	77.86
90.50	49	Arkansas	31	94.69

Per capita tax comparisons thus serve as a guide to the comparative demands of government upon the people of a state. In some economies, these demands must be met principally out of the product of manufacturing and trade, whereas in other economies agriculture, exploitation of natural resources such as oil, natural gas, timber or minerals, may add substantial taxpaying capacity to the state. Per capita figures may also be influenced somewhat by any marked differences in size of family, the number of years that children customarily remain in school, and the extent to which there are multiple wage earners in a single family, as a matter of local custom. Since these factors occur in all states in varying degrees, they tend to cancel each other out or at least to avoid impairing the validity of per capita comparisons.

The per capita measure is not intended to imply that all taxes are paid directly by individuals any more than it implies that all individuals are taxpayers. It is used solely because population is a good common denominator and therefore a significant measure of comparative overall tax burden, even though other measures may also be used.

According to data recently released by the U. S. Bureau of the Census, including the aggregate of state and local revenues in each state—

> Utah ranks 26th—with a per capita state and local tax burden of $151.31 in 1953—among all of the states, of which the median was $152.86 per capita. This is more favorable than its rank in 1941, which was 20th upon the same basis.[1] (See Chart I.)

It has already been noted that Utah is a median state in its tax resources. It is thus particularly significant that it ranks as a median state in its tax burden measured on a per capita basis (See Chart I). It is also to be noted that when the combined total of state and local revenues is related to income payments received by resident individuals in the various states, Utah's rank among the states does not change materially.

> Utah ranked 24th among the states in its state and local general revenues per $1,000 resident individual income received in 1953. The Utah burden was represented by $100.64 per $1,000 of income as compared with $99.41 per $1,000 in the median state (North Carolina).
>
> As among other western states, Nevada ranked 1st in its per capita burden and 22nd in relation to income payments, while Colorado ranked 8th in per capita burden and 12th in relation to income payments. Montana ranked 13th in per capita burden and 26th in relation to income payments; while Arizona ranked 15th in per capita burden and 14th in relation to income payments.

From the viewpoint of comparative tax burdens, it appears that Utah has maintained a very satisfactory relationship between its tax levies and its tax resources. It is marked as a median state in both respects. It has apparently resisted the upward pressures in service costs even more successfully than other states, while progressively meeting its governmental responsibilities particularly in the maintenance of high standards of public education.

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[1]See U. S. Bureau of the Census, Financing Federal, State and Local Governments; 1941. (Spec. Study No. 20, 1942, 1942) p. 106.

Chapter IV

THE PROPERTY TAX

State tax policy with respect to the general property tax will determine the answers to many other major tax questions. In Utah and elsewhere, the property tax is the mainstay of local government; and it is, in almost all states, the largest single source of tax money. Among the various states it provided in 1953 an average of 38.4 per cent of state and local general revenues, and in Utah the very same ratio was maintained (Table 17). Except for Arizona and New Mexico, there is a tendency for other Mountain States to rely somewhat more upon property taxes (Colorado, 40.5 per cent; Idaho, 41.8 per cent; Montana, 42.7 per cent).

Beginning with the depression years, non-property taxes have replaced property taxes in the form of shared taxes or grants-in-aid. In Utah, 20 years ago, the property tax provided some 74 per cent of total state and local revenues. By 1940, this ratio had fallen to 59 per cent; and by 1953 it was 48.5 per cent (Table 18). While a balanced tax structure demanded a shift from property taxes to non-property taxes, many careful observers are coming to the conclusion

Table 17

COMPARATIVE USE OF THE PROPERTY TAX SELECTED STATES, 1953

(Dollar amounts in thousands)

	Total State and Local General Revenue[1]	Total State and Local Property Tax	Tot. General Revenue of Local Units[1]	Local Property Tax	% Tot. Prop. Tax to Tot. State and Local Gen. Rev.	% Local Prop. Tax to Total Local Gen. Revenue
U. S. Total	$24,437,104	$9,375,311	$12,686,955	$9,010,394	38.4%	71.0%
Arizona	148,197	53,345	60,223	43,086	36.0	71.5
California	2,587,443	1,006,533	1,350,551	934,748	39.0	69.2
Colorado	263,712	106,843	135,314	99,327	40.5	73.4
Idaho	97,553	40,742	50,583	38,568	41.8	76.2
Indiana	620,034	265,914	299,625	251,951	42.9	84.0
Iowa	448,729	212,130	259,440	211,997	47.3	81.7
Maine	127,898	59,312	63,871	58,155	46.4	91.0
Maryland	362,556	130,666	176,154	127,329	36.0	72.3
Montana	103,046	45,028	53,856	40,773	42.7	75.7
Nebraska	199,738	118,094	125,523	96,410	59.1	76.8
Nevada	46,073	17,182	25,737	14,669	37.3	57.0
New Hampshire	93,749	54,599	60,801	53,147	58.2	87.4
New Mexico	123,985	18,922	27,714	14,899	15.3	53.8
Oregon	287,192	104,780	140,882	104,759	36.5	74.4
Texas	1,081,265	397,629	544,733	373,372	36.8	68.5
UTAH	111,514	42,952	53,731	42,569	38.5	79.2
Washington	481,782	116,677	183,732	100,132	24.2	54.5

[1]Excluding federal aid, utility, liquor stores and insurance trust revenues.
Source: U. S. Bureau of the Census

Table 18

THE PROPERTY TAX IN RELATION TO TOTAL FEDERAL, STATE AND LOCAL REVENUES COLLECTED IN UTAH

Year	Assessed Valuation	Total Property Tax Charged	Tot. Federal, State & Local Tax Revenues[1]	Total State & Local Tax Revenues[2]	Tot. State Revenue Receipts[3]	Ratio Total Property Tax to: Total Taxes Local, State & Federal	Total Taxes—State & Local	Total State Revenue Receipts	Tot. Assessed Valuation
1953	$1,025,194,501	$47,414,998	$250,079,038	$97,688,253	$84,800,000	18.9%	48.5%	55.9%	4.62%
1952	961,750,853	42,239,229	235,704,303	89,036,393	80,112,917	17.9	47.4	52.7	4.39
1951	903,031,056	44,996,435	196,201,156	86,668,785	77,255,484	22.9	51.9	58.2	4.98
1950	848,379,646	38,168,354	157,429,112	73,416,498	67,577,921	24.2	52.0	56.5	4.49
1949	823,749,300	35,857,478	161,655,915	70,920,097	66,835,437	22.2	50.6	53.7	4.35
1948	765,371,793	33,702,376	157,647,288	65,401,154	62,416,623	21.4	51.5	54.0	4.40
1947	681,566,404	30,326,323	141,877,321	57,653,214	52,260,019	21.4	52.6	58.0	4.44
1946	655,895,447	23,422,469	127,583,678	45,642,112	39,441,699	18.4	51.3	59.4	3.57
1945	671,600,992	22,931,542	126,841,659	42,206,628	38,022,922	18.1	54.3	60.3	3.41
1943	626,422,913	18,613,794	82,413,211	37,003,911	36,283,143	22.6	50.3	51.3	2.97
1940	537,753,254	18,227,152	41,696,563	30,822,563	26,433,091	43.7	59.1	69.0	3.38
1937	539,064,438	16,652,313		27,133,445	22,924,391		61.4	72.6	3.08
1934	511,928,324	17,483,285		23,704,417	20,126,355		73.8	86.9	3.41

[1]Includes only Federal taxes collected in Utah district office of U. S. Bureau of Internal Revenue; state taxes collected by State Tax Commission plus state property taxes and property taxes of local governments.

[2]Includes state taxes on property and taxes collected by Tax Commission; and only property taxes of local units.

[3]Includes county contributions to public welfare, teachers contributions to retirement fund,receipts to state departments & institutions, and net profits of liquor control commission (unemployment compensation tax not included).

Source: State Tax Commission.

that the pendulum has swung too far the other way. The result has been the neglect of the property tax and its need for fair administration, a growth of central financing by the state in order to collect and return to local government the revenues it requires, and a loss of local self-government paralleling the decline in local self-support.

A shift in the use of the property tax among levels of government has also occurred. Twenty years ago, the state levy amounted to as much as 29.3 per cent of the total, whereas, no state tax was levied on property in 1952 and the 1953 state levy amounted to only 7.8 per cent of the total (Table 19). School taxes have always been a major part of the property levy, but there has been a gradual increase in their proportion from about 50 per cent to about 60 per cent of the total (Table 19) over the same twenty-year period.

Table 19

CHANGES IN THE USE OF THE PROPERTY TAX IN UTAH BY LEVEL OF GOVERNMENT, 1934-1953

Year	Total Property Tax Charged	Total State Property Tax Charged	Ratio State Property Tax to Total Property Tax	Total Local Property Tax Charged	Total Property Tax To Schools	Ratio of School Property Tax to Total Property Tax
1954	$51,302,864			$51,135,531	$31,221,784	60.9%
1953	47,414,998	$3,690,700	7.78	43,526,344	28,909,328	61.0
1952	42,239,229			41,981,125	24,991,817	59.2
1951	44,996,435	5,689,095	12.6	39,119,160	28,514,391	63.4
1950	38,168,354	6,829,456	17.9	31,185,236	22,873,230	59.9
1949	35,857,478	6,820,644	19.0	28,876,289	21,473,244	59.9
1948	33,702,376	6,811,808	20.2	26,728,270	20,319,539	60.3
1947	30,326,323	5,793,314	19.1	24,378,845	18,545,863	61.2
1946	23,422,469	1,770,918	7.6	21,475,971	12,269,673	52.4
1945	22,931,542	2,686,404	11.7	20,054,759	11,253,095	49.1
1943	18,613,794	1,941,911	10.4	16,462,440	9,377,581	50.4
1940	18,227,152	3,844,933	21.1	14,330,666	9,770,399	53.6
1937	16,652,313	3,034,933	18.2	13,587,109	9,365,845	56.2
1934	17,483,281	5,119,285	29.3	12,337,770	9,334,258	53.4

From the viewpoint of comparative tax burden, moreover, there has been over the past 15 years a complete shift in importance from the property tax to federal income taxes. Whereas the property tax represented as much as 43.7 per cent of the total federal, state and local tax collections in Utah in 1940, its percentage had fallen to 18.9 per cent in 1953 (Table 18).[1] Federal taxes alone now take one and one-half to two times the combined total of state and local taxes in Utah. In brief —

[1]This is not to imply that the federal tax burden upon the people of Utah is represented solely by tax collections credited to the Utah District of the Internal Revenue Service; but only to compare the relative change within the state over a period of time.

> While the property tax remains the largest single source of state and local revenues in Utah, it becomes a minor factor in the total tax burden, as compared with federal tax demands.

Is the property tax greater now than ever before? It is obviously greater in tax rates and dollars, but is it greater in terms of constant dollars? *First,* the incredible increase in federal taxes has reduced taxpayer capacity to pay local taxes, even in the face of greatly increased dollar earnings. The United States Department of Labor recently pointed out (July, 1954), that a worker in manufacturing had gross average weekly earnings in 1939 of $23.86. By 1953, this had risen to $71.69. Under the impact of federal taxes, a worker with no dependents had net spendable weekly earnings after taxes in 1939 of $23.58, but his $71.69 in 1953 was reduced after taxes to $58.54.

Second, when the change in the value of the dollar is considered, the effect on the worker with no dependents is the same as if he were earning $23.58 in 1939 and $30.60 in 1953. In the case of the worker with three dependents, it is the same as if he were earning $34.80. In other words, dollar incomes have increased, but a loss in the purchasing power of the dollar plus federal tax requirements have taken up most of the slack.

Against this background, the change in the property tax since 1940 can be summarized as follows:

	1939	1953	Per Cent Change
Per capita property tax in Utah	$33.10	$63.16	+ 91%
Same in constant dollars (1935-39=100)	33.30	33.01	— 1
Average weekly earnings in manufacturing	23.86	71.69	+200
Net spendable weekly earnings after federal taxes	23.58	58.54	+148
Same in constant dollars	23.72	30.60	+ 29

The conclusion is this:

> While property taxes have increased greatly in dollar amounts over the past 15 years, in terms of constant dollars, on a state-wide basis, the real burden is less than it was 15 years ago.

Comparative Impact of the Property Tax in Utah and Other States

Is the property tax burden in Utah heavier or lighter than in other states? This is a question of great interest to home owners, businessmen and farmers alike. This report seeks to answer the question in various ways. Thus—

Table 20

COMPARATIVE BURDEN OF PROPERTY TAXES ON AGRICULTURE, 1952

State	1952 Cash Farm Income (000)*	1952 Real Estate Taxes (000)	% Real Estate Tax to Income	% of Farm Land Used for Crops	% Land in Farms	1952 Property Tax $ Per Acre	1952 Property Tax Index (1903-13=100)	Taxes Per $100 of Full Value
Montana	$ 405,377	$ 12,050	2.9%	21.4%	63.5%	$ .25	379	$1.06
Idaho	380,622	11,658	3.1	35.9	25.0	.99	422	1.24
Wyoming	164,857	3,894	2.4	6.7	55.2	.15	444	.82
Colorado	621,578	15,399	2.5	26.5	57.1	.44	403	1.20
New Mexico	221,752	2,845	1.3	5.0	61.1	.09	430	.39
Arizona	389,344	4,557	1.2	2.7	54.9	.37	587	.73
Utah	**185,622**	**4,305**	**2.3**	**16.7**	**20.6**	**.47**	**310**	**.86**
Nevada	53,888	1,029	1.9	6.7	10.1	.17	270	.75
Washington	595,459	10,942	1.8	40.3	40.6	.67	240	.69
Oregon	432,386	16,399	3.8	22.5	33.0	.84	576	1.23
California	2,757,956	24,108	2.7	28.0	36.5	2.12	598	1.17
New England	3,101,281	23,502	2.6	26.9	31.0	1.88	505	1.76
Middle Atlantic		59,422		46.1	49.5	1.87	405	1.42
East North Central	6,415,409	187,411	2.9	57.3	71.5	1.68	390	.99
West North Central	8,372,013	247,389	3.0	54.0	87.0	.90	452	1.06
South Atlantic	3,975,413	46,739	1.2	30.9	59.6	.46	382	.51
East South Central	6,719,047	36,458	1.5	35.0	69.1	.46	358	.57
West South Central		63,464		26.5	76.8	.31	325	.49
Mountain	6,208,841	55,737	2.5	14.2	45.6	.31	380	.96
Pacific		101,449		29.34	36.3	1.44	496	1.10
United States	34,792,004	821,572	2.4	35.25	60.9	.77	371	.90

*Including value of home consumption.

Source: Agricultural comparisons, from Agricultural Statistics, 1953—Department of Agriculture.

The property tax taken together with all other taxes combined does not impose a tax burden greater than the median among all the states—Chapter III, Chart I.

Utah does not look to the property tax for a greater than average share of the total revenues by state and local government—Table 17 supra.

The property tax on metalliferous mines cannot be intelligently considered apart from severance and other taxes imposed upon the industry—and a special chapter is devoted to its problems (Chapter V, following).

Beyond these broad indications of moderation in property taxation, experience in this state and in other states suggests that there will be as much difference in the tax burden between comparable properties in the same taxing district as there may appear among different states.

State-wide averages must be taken with caution; they conceal widespread assessment inequalities among comparable properties, substantial differences in tax rates among taxing districts within and among states, and frequent regressive assessment practices, that is, the valuation of larger properties at a lesser percentage of true value than smaller properties. These conditions are more or less common among all states.

Subject to the necessary restraint in interpretation which these conditions suggested, comparative data are helpful in judging the impact of the property tax upon agriculture and business.

Agriculture

The comparative burden of farm property taxes may be considered upon the basis of figures collected by the federal Bureau of Agricultural Economics. These include cash farm income, 1952 real estate taxes on farms, the property tax per acre and per $100 of full value.

In relation to cash farm income, the farm real estate tax was 2.3 per cent in Utah, as compared with the average of 2.5 per cent for all Mountain States, and 2.4 per cent for the United States as a whole. The property tax per acre of farm real estate in Utah was $.47 in 1952, as compared with the average of all Mountain States of $.31 and $.77 for the United States as a whole (Table 20). While other Mountain States show a somewhat lower average tax rate, it is significant that they also have the least percentage of farm land used for crops as shown in Table 20. Grazing land is obviously of less value per acre than crop land.

Farm taxes per $100 of full value are perhaps the fairest guide to comparative burden. In 1952—

Utah farm realty taxes per $100 of full value average $.86 as compared with a Mountain States average of $.96 and a national average of $.90 per hundred (Table 20). By this standard, as well as by the relation of taxes to cash farm income, the property tax burden on farms in Utah appears moderate as compared with other states.

Table 21

IMPACT OF UTAH PROPERTY TAX, BY INDUSTRY, 1952

Industry	Number of Firms	Amount Utah Property Tax (000)	Value of Tangible Property in Utah (000)	% Tax to Property
Metal Mining	5	$5,641	$169,492	3.33%
Bituminous—Coal	[1]			
Crude-Petroleum and Natural Gas Production	10	93	12,038	0.77
Nonmetallic Mining and Quarrying	3	60	3,195	1.88
Gen. Contractors other than bldg.	3	78	6,604	1.18
Construction—special-trade contr.	[1]			
Food and Kindred Products	18	260	15,212	1.71
Tobacco Manufactures	[1]			
Apparel and Other Finished Textile Products	[1]			
Lumber and Wood Products (Except Furniture)	[1]			
Furniture and Fixtures	[1]			
Printing, Publishing, and Allied Industries	3	9	349	2.58
Chemicals and Allied Products	9	62	3,867	1.60
Products of Petroleum and Coal	3	289	17,794	1.62
Rubber Products, NEC	4	36	2,829	1.27
Leather and Leather Products	[1]			
Stone, Clay, and Glass Products	5	95	8,981	1.06
Primary Metal Industries	8	1,465	85,292	1.72
Fabricated Metal Products (Except Ordnance, Machinery, and Transportation Equipment)	5	48	2,228	2.15
Machinery (Except Electrical)	4	11	654	1.68
Electrical Machinery Equip., supp.	4	19	1,123	1.69
Transportation Equipment	3	7	402	1.74
Instruments and Related Products	[1]			
Miscellaneous Manufacturing Industries	[1]			
Interstate Railroads	5	2,867	124,641	2.30
Trucking and Warehousing for hire	12	71	3,040	2.34
Other Transportation excep. water	5	18	606	2.97
Telephone and telegraph and related services	3	576	42,605	1.35
Utilities: Electric and Gas	[1]			
Full service, limited wholesale	37	382	17,460	2.19
Wholesale distributors, other	50	589	54,555	1.08
Lumber and building material deal.	6	65	3,675	1.77
Retail Gen. Merchandise	10	352	13,556	2.60
Food and Liquor Stores	4	132	5,074	2.60
Automotive and Accessories Dealers	[1]			
Apparel and Accessories Dealers	13	27	1,113	2.43
Other Retail Trade, NEC	10	71	3,364	2.11
Retail filling stations	[1]			
Other Finance Agencies, NEC	[1]			
Insurance Carriers and Agents	[1]			
Real Estate	3	9	317	2.84
Business Services NEC	[1]			
Auto. Repair services, garages	[1]			
Motion Picture	3	13	113	11.50
Other Prof.-Social Service Agen.	[1]			
Total	227	$15,144	$718,385	2.11%

[1]Wherever there were fewer than 3 firms in the groups, information has been omitted to avoid disclosure of individual firms; the total includes all firms.

General Business Property Taxes

The impact of the property tax upon business properties is peculiarly susceptible to the variations in practice outlined at the beginning of this section. As a guide to the taxpayers experience with the tax, however, important information may be derived from a careful study of corporations based upon information contained in their corporate franchise (income) tax returns.

Ratio of Property Taxes Paid to "Fair Average Value of Tangible Property," as reported by the taxpayer—There were 248 general business corporations (excluding agriculture and mining) with taxable property in Utah and 540 such corporations with taxable property in Utah and other states for which sufficient information was available to make this test. These were the results—

> 277 corporations which paid $15,144,000 in Utah property taxes (one-third of all property taxes collected in 1952) reported an average ratio of tax paid to fair value of property of 2.11 per cent. If 7 firms over 3 per cent and 17 firms under 1 per cent are eliminated, the Utah average becomes 1.76 per cent for this group of corporations (Table 21).
>
> While there is some variation among industry in the impact of the Utah property tax—due in some cases to the difference between location in an urban versus a rural area—it is notable that few are taxed at more than 2 per cent or less than 1 per cent (Table 21).
>
> The comparatively higher ratio of tax to property in metalliferous mining is due in part to the special characteristics of mine accounting for capital assets as shown in the property value column, and to the operation of net proceeds and mine occupation tax as shown in the property tax column (See Chapter V, following).

A similar analysis of the experience of companies doing business in Utah and other states with respect to the impact of their total property tax bill (Utah included) in relation to their total tangible property everywhere (including 540 corporations) shows:

> The average experience of these 540 corporations was a property tax equivalent to 1.20 per cent of the "fair value" of their taxable property (Table 22).
>
> This group of corporations, similarly, show a variation in ratios but the great majority also fall between 1 per cent and 2 per cent (Table 22).
>
> In both groups, there are some industries where the result appears to vary so widely from average as to suggest incomplete or erroneous reports by taxpayers.

Another guide to the property tax burden is to compare the tax paid to the gross income of the corporation, that is, to look at the property tax as a cost of doing business. For this purpose, gross income of business may be considered as to total receipts for goods and

Table 22

IMPACT OF PROPERTY TAX PAID WITHIN AND WITHOUT UTAH BY INDUSTRY, 1952

Industry	Number of Firms	Amount of Property Tax Everywhere ($ Millions)	Value Property Everywhere ($ Millions)	% Tax To Property
Agriculture	[1]			
Metal Mining	8	$ 8,588	$ 441,454	1.95%
Bituminous Coal Mining	[1]			
Crude Petroleum and Natural Gas Production	22	32,449	2,477,182	1.31
Nonmetallic Mining and Quarrying	6	144	10,421	1.38
Building Construction—Gen. Contr.	[1]			
General Contractors Other Than Building	10	628	77,665	0.81
Construction—Spec. Trade Contr.	5	216	30,294	0.71
Food and Kindred Products	36	16,893	1,292,951	1.31
Tobacco Manufactures	4	3,968	1,159,556	0.34
Textile Mill Products and Other	[1]			
Apparel and Other Finished Products	[1]			
Lumber and Wood Products (Except Furniture)	[1]			
Furniture and Fixtures	4	733	237,319	0.31
Paper and Allied Products	[1]			
Printing, Publishing and Allied Industries	5	531	28,654	1.85
Chemicals and Allied Products	15	8,148	1,707,503	0.48
Products of Petroleum and Coal	5	3,815	288,969	1.32
Rubber Industries, NEC	4	653	51,411	1.27
Saddlery, Harness and Whips	[1]			
Stone, Clay and Glass Products	8	2,324	193,900	1.20
Primary Metal Industries	12	4,763	2,285,014	0.21
Fabricated Metal Products	15	7,635	519,239	1.47
Machinery (Except Electrical)	11	926	203,177	0.46
Electrical Mach., Equip, Supplies	8	493	32,219	1.53
Transportation Equipment	5	496	31,180	1.59
Professional and Scientific Instru.	3	1,012	90,780	1.11
Misc. Manufacturing Industries	5	107	35,634	0.30
Interstate Railroads	5	39,849	1,715,430	2.32
Trucking and Warehousing for Hire	16	343	19,017	1.80
Other Transportation, Except Water	7	299	28,121	1.06
Services Allied to Trans., NEC	3	26	1,217	2.14
Telephone, Telegraph, and Related Services	3	5,241	476,559	1.10
Utilities: Electric and Gas	[1]			
Full-Service and Limited Function Wholesale	65	14,966	1,508,397	0.99
Wholesale Distributors, Other	130	132,933	10,982,278	1.21
Lumber and Building Material Deal.	8	329	16,822	1.95
Retail General Merchandise	10	34,142	1,351,280	2.53
Retail Food and Liquor Stores	5	5,484	138,552	3.96
Retail Automotive	[1]			
Retail Apparel and Accessories	18	1,108	59,220	1.87
Retail Trade, NEC	15	815	233,819	0.35
Eating and Drinking Places	[1]			
Retail Filling Stations	[1]			
Finance Agencies, NEC	5	3,546	78,472	4.52
Insurance Agents, Brokers and Services	[1]			
Real Estate	7	341	60,942	0.56
Personal Services	[1]			
Business Services, NEC	12	4,095	381,154	1.07
Automobile Repair Services and Garages	[1]			
Misc. Repair Services and Hand Trades	[1]			
Motion Pictures	6	309	92,197	0.34
Educational Institutions and Agencies	[1]			
Other Professional and Social-Service Agencies	[1]			
Total	540	$344,306	$28,775,250	1.20%

[1]Wherever there were fewer than 3 firms in the group, information has been omitted to avoid disclosure of individual firms; but the totals include all firms.

services (less the manufacturing or purchase costs of goods sold, where inventory is an income determining factor). It is out of this gross sum that management, rent, interest on borrowed capital, other business expenses and taxes must be paid. Viewed in this way—

> The property tax in Utah represents about the same cost of doing business (1.8 per cent) as the average for other states (1.4 per cent); although the comparative results vary among specific industries (Table 23).
>
> Among manufacturing industries, the Utah property tax was close to the all-states average in most classifications, but was high in "food and kindred products" and low in "stone, glass and clay products" (Table 23).
>
> In wholesale and retail trade categories—industries usually centered in urban areas—Utah appeared most often on the low side of the comparison (Table 23).

It must be remembered that it is of the nature of a property tax to distribute the tax burden in proportion to the value of property owned by each individual. To the extent that the assessment process results in inequalities, this end is not fully achieved, but the principle remains unchanged. It is to be expected, therefore, that a property tax will bear more heavily upon those who prefer to possess, or of necessity require, larger amounts of property to do business.

In manufacturing, which requires expensive machinery and buildings, and in farming which may require a relatively large investment in land, livestock, or machinery, the property tax is likely to be a greater percentage of gross receipts than in a service business which requires relatively little capital investment. In the real estate business, similarly, property taxes may obviously be expected to represent a major element of the cost of doing business, and, therefore, a larger percentage of gross receipts than in other business classifications.

It should be recognized, moreover, that the property tax is only one element of the cost of doing business. In those industries which require substantial labor, payroll taxes for social security and unemployment compensation will present a heavy burden not reflected in any property tax. In brief, among the various business classifications, there are many different elements of expense before net income is determined; and it is a fallacy to consider any one tax or any one item of expense without reference to the total characteristics of the industry.

Conclusion

While there is doubtless extreme unevenness as among individual taxpayers, all evidence indicates that, on the average, the Utah farmer and businessman pay property taxes well in line with those of comparable property owners in other states.

> Regardless of industrial classification, the property tax represents a relatively limited element of the cost of doing business as measured by its impact upon gross income of cor-

Table 23

COMPARATIVE RATIOS OF PROPERTY TAX TO GROSS INCOME AMONG CORPORATIONS DOING BUSINESS IN UTAH AND IN OTHER STATES, BY INDUSTRY, 1952

Industry Group	Corporations Doing Business In Utah Only		Corporations Doing Business in Utah and Other States		
	No. of Firms	Utah Property Tax as % of Total Income	No. of Firms	Tot. Property Tax all states as % of Total Income	% Utah Property Tax to Total Property Tax
Agriculture					
Agriculture	84	3.9%	7	9.8%	17.2%
Agricultural Services	5	—	*		
Mining					
Metal Mining	72	2.3	23	5.2	6.4
Coal Mining	16	1.8	3	3.3	2.4
Crude Petrol. & Nat. Gas	20	1.1	75	1.8	.4
Non-metallic Mining & Quarrying	12	1.7	8	2.1	42.1
Contract Construction					
Building Construction	32	3.8	8	—	40.0
Gen .Constr. Other Than Bldg.	39	3.4	29	1.1	18.4
Constr. Spec. Trade Contractors	43	5.2	15	.7	.9
Manufacturing					
Foods and Kindred Products	78	4.1	42	1.4	1.9
Tobacco Manufacturers			4	1.2	.3
Textile Mill Products & Others	6	1.6	3	1.8	.8
Apparel & Other Finished Prod.	6	1.6	*		
Lumber & Wood Prod. ex. Furniture	14	1.8	5	1.9	11.4
Furniture and Fixtures	5	2.1	4	1.8	.1
Paper and Allied Products	*		4	1.9	.1
Printing, Pub. & Allied Ind.	44	.9	6	.9	1.7
Chemicals & Allied Prod.	13	3.8	19	.5	.7
Products of Petrol. & Coal	*		5	1.8	7.6
Rubber Products	*		6	1.3	2.7
Leather & Leather Products	*		*		
Stone, Clay & Glass Prod.	25	2.3	9	8.4	4.5
Primary Metal Products	4	3.3	14	.4	33.0
Fabricated Metal Products	12	2.7	18	2.0	.6
Machinery (ex. electrical)	11	2.3	19	.4	1.8
Elec. Mach. Equ. & Suppl.	*		9	1.1	3.9
Transportation Equip.	3	.8	5	1.6	1.4
Professional & Scientific Instruments	*		3	1.5	.1
Misc. Mfg. Industries	8	1.0	8	.2	4.7
Transportation, Communication & Utilities					
Railroads	5	7.6	8	2.1	7.2
Local and Interurb. rlwys. & Bus Lines	*		—	—	—
Trucking & Warehousing	48	1.1	33	.5	17.5
Other Transp. ex. water trans.	13	1.1	14	.7	2.1
Services Allied to Trans.	17	1.2	9	.1	3.2
Telephone, Telegraph & Rel. Serv.	6	2.7	3	1.7	11.0
Utilities; Elec. & Gas	6	2.8	*		
Local Utilities & Pub. Serv.	7	3.8	—	—	—

Table 23 (Cont'd.)

Industry Group	Corporations Doing Business In Utah Only		Corporations Doing Business in Utah and Other States		
	No. of Firms	Utah Property Tax as % of Total Income	No. of Firms	Tot. Property Tax all states as % of Total Income	% Utah Property Tax to Total Property Tax
Wholesale and Retail Trade					
Full-Serv. & Ltd. Function Wholesale	157	1.4	95	1.0	2.6
Wholesale Distributors (other)	42	.5	173	1.5	.5
Lumber and Bldg. Mat. Dealers	108	1.6	9	2.7	19.5
Retail General Merchandise	42	1.7	11	1.7	1.0
Retail Food & Liquor Stores	47	1.1	6	2.3	2.4
Retail Automotive	121	1.3	4	1.6	4.3
Retail Apparel & Accessories	67	1.0	28	.9	2.6
Retail Trade NEC	250	1.5	18	1.2	8.8
Eating & Drinking Places	18	3 1	3	.4	1.5
Retail Filling Stations	22	1.1	3	.9	100.
Finance, Etc.					
Banks & Trust Companies	50	.6	*		
Security Dealers & Invest. Banking	4	—	*		
Finance Agencies NEC	167	.7	35	1.3	.3
Insurance Carriers	*				
Ins. Agents, Brokers & Services	25	—	5	.2	1.5
Real Estate	333	7.7	27	5.4	9.6
Real Est. Ins., Loan & Law Offices	6	.7	—	—	—
Holding Cos. (ex. real est.)	*		*		
Services					
Hotels, Rooming Houses, Camps & Others	32	2.3	4	2.8	100.0
Personal Services	57	1.1	7	.5	6.1
Business Services NEC	54	.7	24	.8	.4
Employment Agencies & Trade Schools	*				
Automobile Repair Serv. & Garages	24	.4	4	.2	25.0
Misc. Repair Serv. & Hand Trades	27	1.0	3	.3	.0
Motion Pictures	36	.9	10	.3	4.9
Amuse. & Recreation & Rel. Services	19	.6	*		
Medical & Other Health Serv.	8	1.3	—	—	—
Educational Instu. & Agencies	*		*		
Other Professional & Soc. Serv. Agencies	6	—	14	1.0	1.3
Non profit Membership Organ.	*				
Miscellaneous	2	5.0	—	—	—
Total	2395	1.8	914	1.4	4.8

*Wherever there were fewer than three firms in the group, information has been omitted to avoid disclosure of individual firms; but the totals include all firms.

porations. This conclusion is also supported by the experience of partnerships, which usually represent small business units, considered in Chapter VII. While comparable data are not available with respect to home owners, it has been the general experience that homes would be taxed more favorably (by a lower valuation) than business properties—which means an effective rate of less than 2 per cent of their fair value, on the average. Overall, the property tax shows sufficient economic leeway, especially when converted to constant dollars to justify some further reliance upon it if necessary.

Property Tax Administration

No study of the impact of the property tax is complete unless consideration is given to the equality of assessed values. It is only when property is assessed upon a uniform basis that the property tax has a sound and equitable foundation. Studies which have been made by competent persons and organizations within the past two years, have indicated that there is a great need for equalization of valuations of comparable property throughout the state. The most effective way to bring about such equalization is through a complete reassessment of property and by the use of uniform standards.

The First Special Session of the Utah Legislature in 1953 passed an act (Laws of Utah 1953, First Special Session 1953) dealing with this problem, which reads as follows:

> "The state tax commission on a continuous county-by-county rotation basis and in cooperation with the various county assessors shall make a valuation of all taxable property in each county at least once every five years."

The State Tax Commission has laid the foundation for the statewide reassessment called for above and has already made good headway in accomplishing the purposes of the act. No major improvement in the administration of Utah's tax system can be made without consideration of this reassessment program.

Property tax assessments within the state of Utah are controlled initially by the constitutional provisions set forth in Article 13, Section 3 of the Constitution of the State of Utah. It provides as follows insofar as property tax assessments are concerned:

> "The Legislature shall provide by law a uniform and equal rate of assessment and taxation on all tangible property in the State, according to its value in money, and shall prescribe by law such regulations as shall secure a just valuation for taxation of such property, so that every person and corporation shall pay a tax in proportion to the value of his, her, or its tangible property, provided that the Legislature may determine the manner and extent of taxing transient live stock and live stock being fed for slaughter to be used for human consumption. . . ."

Organization and Administration of the Assessment Function

Under present assessment organization and procedure, the State Tax Commission and the county assessors are jointly responsible for uniform assessment of agricultural and urban lands, buildings and other improvements. As a matter of practice, the county assessors in Davis, Salt Lake, Utah and Weber Counties are immediately responsible for the assessment of residential buildings while valuations of other buildings and improvements are recommended to the county assessor by State Tax Commission personnel. In the remaining 25 counties, the State Tax Commission personnel recommend valuations of all buildings to the county assessor. The assessment of land values and personal property is primarily undertaken by the county assessor, pursuant to standards and guidance provided by the State Tax Commission. The Commission is directly responsible for the assessment of all public utilities and the valuation of mines.

On paper, and to a considerable degree in practice, Utah has a centralized system of valuation for the purpose of administering the general property tax. This stems from express provision of the State Constitution (Art. 13, Sec. 11) which provides:

> "The State Tax Commission shall administer and supervise the tax laws of the state. It shall assess mines and public utilities and adjust and equalize the valuation and assessment of property among the several counties. It shall have such other powers of original assessment as the legislature may provide. Under such regulations, in such cases and within such limitations as the legislature may prescribe, it shall establish installation of public accounting, review proposed bond issues, revise the tax levies and budgets of local governmental units, and equalize the assessment and valuation of property within the counties. The duties imposed upon the State Board of Equalization by the Constitution and laws of this state shall be performed by the State Tax Commission. . . . The County Boards of Equalization shall adjust and equalize the valuation and assessment of the real and personal property within their respective counties, subject to such regulation and control by the State Tax Commission as may be prescribed by law."

In operation, the Tax Commission discharges this function as prescribed by the Constitution and enabling legislation, through a property tax department which is under the immediate supervision of one of the commissioners. The department is divided into three divisions, each with a director, known as the property tax, property reappraisal, and local government accounting divisions. These are all minimum establishments, within the limits of appropriations that have been made available to the Tax Commission. In fact, the local government accounting division is comprised entirely of the part time services of one man.

As a result of recent legislation requiring state-wide revaluation at least once every five years, the property reappraisal division has become considerably more important. The Commission reports:

"The property reappraisal division at present is composed of a director and ten appraisers. Necessary typing and clerical work is shared with the control division and the Commission's administration department. The state has been tentatively organized into five districts, each with an equal amount of work, in order that the reappraisal may be accomplished in the statutory five years. It is anticipated, that to comply with this law, a staff of twenty-one will be required. At present seven appraisers are assigned to revaluation of residential improvements, two to commercial and industrial, the director of the division is supervising the reappraisal of farm lands and, with one appraiser, the reappraisal of city and town lots.

"The counties are cooperating. The county assessor's office regularly participates and the counties also furnish farmers and real estate dealers familiar with local values in the land appraisals. Such assistants are trained in the duties by the division director or his assistant. With an increased force it is anticipated that fifteen building engineers will be assigned to revaluation of improvements, three persons will be required to complete the valuation cards from data furnished by the field forces, and two persons will be required on the revaluation of city lots.

"The state board of examiners is expected to provide the tax commission with a deficit appropriation of $150,000 for the biennium, and already has approved allocation to the current fiscal year of amounts considerably in excess of one-half of the biennial appropriation."

Except for this new interest in the work of the Tax Commission, particularly as applied to property tax equalization, the work of the Commission has been handicapped by limited appropriations and discouraging physical quarters. The Commission is nevertheless vested with important administrative responsibilities relating to the property tax. In addition to the revaluation project, through its property tax division, the Commission staff:

a. Assembles and analyzes taxpayers' reports and other data for determination of the valuation of utilities, metalliferous mining properties, and nonmetalliferous mining properties and any other properties assigned by the Constitution and statutes to the Commission for original assessment;

b. In accordance with decisions of the Commission after conventions of county taxing officials, or in cooperation with committees of county assessors, or on the initiative of the Commission, prepares annual suggestive schedules for the assessment of livestock and other personal property; prepares uniform schedule used by the county assessors in the valuation of motor vehicles; makes studies of taxpayers' reports of the value of other personal property, including commercial and industrial inventories and equipment and other tangible personal property;

c. Cooperates with county taxing officials on special problems that may be referred to or otherwise come to the attention of the Tax Commission;

d. From reports furnished by the state board of education, prepares necessary data for the administration of the statutes with reference to the minimum basic and supplemental school district programs, and by statutory formulas determines the levies to be fixed;

e. Prepares data with reference to assessments appealed from valuations proposed by the Commission or by the county boards of equalization, for consideration by the Commission at the required hearings;

f. Prepares information from reports by county taxing officials, required by law and by the Commission for the performance of the Commission's duties in regard to the equalization of assessments as between counties, between classes of property, or between individual assessments;

g. Examines levies proposed by all taxing units with authority to impose general property taxes, to determine whether they are within limitations fixed by law;

h. Prepares statistical data with regard to property taxes required by law or requested by public or private agencies, including data for the biennial report of the Commission;

i. Assesses and collects property taxes imposed on car and transportation companies, and distributes the proceeds to the state and county treasurers;

j. Executes a multitude of other duties required by law or direction of the Commission in administering the property tax laws.

Pending the completion of the present study, one accomplishment already effectuated is the adoption and promulgation by the Tax Commission of a new form of Assessor's Work Sheet (Form TC-407), effective for 1955 assessments. The work sheet (Appendix, Schedule A) will permit an improved classification of property, and better understanding of the distribution of the tax burden by property class. It is to be hoped that in future years the classification "Commercial" which in the new form is meant to include all classified property which is neither "residential" nor "agricultural" will be further divided into "commercial" and "industrial"—as it was in the preliminary draft discussed with assessors.

Administration Budgets

To carry out its various functions, the State Tax Commission is spending little more today than it was spending 20 years ago. As shown in Table 24, the Tax Commission estimates its cost of administering the property tax during the period 1935-1939 at about $60,000 a year on the average. In the fiscal year ended June 30, 1953, the

Table 24

STATE TAX COMMISSION COSTS[1] FOR PROPERTY TAX ADMINISTRATION, 1933-1953

Fiscal Year Ending June 30	Property Tax	Car and Bus	Mine Occupation	Mines and Utilities[3]	Reappraisals and Equalization[3]
1933	$45,631	$1,380			
1934	41,340	801			
1935	52,890	735			
1936	67,087	712			
1937	63,670	400			
1938	68,489	343	$ 104		
1939	52,422	271	120		
1940	53,100	322	238		
1941	52,536	444	182		
1942	42,051	1,047	1,548		
1943	40,238	1,002	1,481		
1944	40,199	962	1,677		
1945	48,735	1,011	1,559		
1946	52,643	1,256	1,634		
1947	65,207	1,456	1,798		
1948	78,282	1,268	1,927		
1949	75,409	1,363	1,963		
1950	76,721	1,340	2,080		
1951	66,620	1,464	2,171		
1952	67,397	1,406	2,102		
1953	(11,508	259	77	$18,453	$32,548
	(3,978[2]				

[1]From biennial reports of the Commission.
[2]Forms furnished County Assessors.
[3]Previous to 1953, included in property tax costs.

Commission estimates that its cost of administering the property tax was under $65,000.

Among the counties, it is common to find a county assessor's office understaffed and underpaid for the job to be done. Although seven counties neglected to respond at all to a request for information, Table 25 shows that it is only in Cache, Davis, Sanpete, Tooele, Utah, Salt Lake and Weber Counties that there is at least one full-time assistant of professional level in the county assessor's office (Table 25).

It must be recognized, of course, that few of the counties are in need of any substantial assessment organization. It may well be that Salt Lake, Utah, and Weber Counties are the only counties which could justify a fully organized professional assessment office. Table 25 shows that these are the only counties which have budgeted any substantial sum for assessing. Groups of other counties might well be best served by having their assessment offices consolidated so as to form large enough assessment units to warrant an efficient organization.

The Standard of Valuation

The valuation of taxable property within the state of Utah is determined, first, by arriving at the reasonable fair cash value at

the time of assessment and then assessing such property at 40 per cent of such reasonable fair cash value, provision for which is set forth in Section 59-1-1, U.C.A. 1953.

This statutory standard was originated at the same time the state Constitution was amended so as to provide that the state should not contribute more than 75 per cent of the basic minimum school program, and that not more than 75 per cent of the state's contribution should be derived from the property tax (Const. Art. XIII, Sec. 7). Emphasis was placed on the necessity of uniformity in valuation throughout the state. It was a time when prices were fluctuating violently. Assessed values in each county were recognized as being at least 60 to 70 per cent below current market values. It was doubted that current market values were true values, but it was left to the Tax Commission, in effect, to define "reasonably fair cash value."

Table 25

ORGANIZATION OF COUNTY ASSESSORS' OFFICES

County	Assessor's Years in Office	Budget	Personnel in addition to County Assessor: Full-Time A	Full-Time B	Full-Time C	Part-Time A	Part-Time B	Part-Time C	No Breakdown	Remarks
Beaver		$								Not Reporting
Box Elder										Not Reporting
Cache	8	12,595	1			31	4			
Carbon										Not Reporting
Daggett	2½	540								
Davis	3½	17,500	3			13	4			
Duchesne	3½	6,000		1			2			
Emery	12	6,455		1				8		
Garfield	1½	3,472				2	1			
Grand	20	3,900								
Iron	3½	3,600				2	1			
Juab										Not Reporting
Kane	3½	2,000								
Millard	16	8,910				13	1			
Morgan	20	3,650						3		
Piute	24	450					1			
Rich										Not Reporting
Salt Lake	3¼	160,000							29	
San Juan	4	3,300				1	1			
Sanpete	20	9,440			1			9		
Sevier	20	8,460		1		12				
Summit										Not Reporting
Tooele	10	8,500	1			6				
Uintah	4	8,364				10				
Utah	¼	52,225	9							
Wasatch										Not Reporting
Washington	20	5,800		1		3				
Wayne	28	1,495							2	
Weber	3½	43,600			7			3		

A represents Deputies, Engineers, Appraisers, Assessors.
B represents Clerks.
C represents Assistants.

About 1915, the Legislature had compelled a return to something near market values by reducing the limits of levies to about one-third the former limits. The process of putting such policy into effect was accompanied by considerable friction and turmoil. Since about 1920, the process had been resumed of gradually reducing the assessment ratio, and at the same time raising levy limitations (or creating new classes of districts with authority to levy property taxes). Demands for greater expenditures created pressures, first on one front and then on another.

Perhaps such experience may have affected the situation in 1947. At any rate, after the 40 per cent assessment ratio was made statutory, county taxing officials in an annual convention, expressed the view that this would require little change in the then current assessed values of realty. In the meantime, the Commission, recognizing that uniformity in assessment is basic in property tax administration, adopted the theory that values and costs as of 1940 to 1942 might be deemed reasonable fair cash values. Throughout the state in some sections values had gone up violently since those years, while in other sections values had, if anything, declined in the same period. This failure to adjust to changing conditions is a common weakness of any valuation year basis other than the current year.

An interesting by-product of the 1947 statute, fixing the present assessment ratio, has been that it increased debt limits for the state, counties, municipalities and school districts to two and one-half times the former limits. The state supreme court has spoken on this issue only when school districts are affected; but the reasoning adopted in the unanimous decision, handed down August 8, 1952, would seem to apply to all debt limits fixed by Article XIV of the Constitution. The result is summarized as follows:[1]

> Under the constitutional provision, the debt limitation (in school districts) is 4 per cent of the reasonable fair cash value, and not merely 4 per cent of the assessed valuation of taxable property therein.

The valuation of mines and mineral resources is also subject to the 40 per cent standard, but under such specialized conditions that this subject is treated in a separate chapter.

Assessment of Land

It has been from 20 to 30 years since many of the counties have had a land reclassification for assessment purposes. Farm land in the state of Utah is classified on the basis of average yield for cultivable land, and cover and carrying capacity of pasture land and grazing land. Average crop yield of basic crops by county or area are determined from agricultural census figures and Bureau of Agricultural Economics data, plus Utah State Agricultural College extension information, and also average yield data from well informed people in each county. Carrying capacity of grazing land is computed on about the same basis as the Bureau of Land Management methods. By the end of 1954 all the counties in the state will have been classified. If the present pattern continues, according to the Tax Commission,

[1]Utah 246 Pac (2) 1078 (1952).

all counties will receive an increase in valuation. The change in value is due primarily from a change in land use, over the past quarter of a century.

Non-farm land, similarly, has undergone substantial change in use over the past 10 or 12 years in a number of counties. There has been a noticeable shift of land use due to military and industrial developments in Tooele, Weber, Davis, Salt Lake, Utah, Grand and San Juan Counties. When large military installations were built in Tooele, Weber and Davis Counties, the consequent housing needs forced some areas out of agricultural use and into use for residential developments. Similarly, industrial growth has caused a change in the land use pattern in Salt Lake, Utah, Grand and San Juan Counties. The remaining counties have remained fairly stable except for the normal growth in agricultural developments.

The Tax Commission reports that it has endeavored to revalue some urban areas since 1946. This has already been done in St. George, Cedar, Price, Vernal, Ogden and Logan. The urban land reclassification will probably be completed this year in Davis County and Salt Lake City after which the Commission staff will go into Utah County.

Assessment of Buildings

The assessment of buildings and improvements has caused the most difficulty everywhere throughout the Nation, due to the effect of marked changes in building costs as well as in the value of the dollar over the past 15 years. With construction costs two and three times what they were before the war, the ratio of assessed to fair market value has been badly distorted. Unless assessments on older buildings were raised to conform to increased replacement costs, the ratio of assessed to fair market value of such buildings has slid downward rapidly over the past ten years. Assessors have generally been loathe, on the other hand, to add to the assessed value of older buildings in the belief that changes in the price level were temporary or that it was unfair to add to valuations in face of the known fact that the present owners were in no position to realize on such increased values. This position was taken by assessors in many states during the past period of rising prices, but it is generally coming to be agreed that it is no longer feasible or desirable to maintain the assessments on any properties at pre-war levels.

As already noted, the standard of valuation which the Legislature accepted in 1947 was 40 per cent of reasonable fair cash value. The Tax Commission was left with the task of determining what was a reasonable fair cash value. In valuation experience there are three measures, namely, replacement cost, earnings valuation, and sales prices of comparable properties. Theoretically, an assessor may, and in fact should, take into consideration all three elements. The difficulty is that an assessor is also faced with the problem of achieving equality of treatment on a wholesale basis among all taxpayers. In Utah, this has meant equal treatment for 172,412 buildings, as well as all the taxable land in the state. In fact, it is much more important to achieve equality of treatment than it is to achieve any particular level of ratio of assessed to true value, from the viewpoint of a fair apportionment of the tax burden. For this reason, the Tax Commis-

sion has adhered to a formula method of valuation of buildings and improvements which, in its essence, arrives at value as replacement cost less depreciation. The practice has been to measure replacement costs according to the 1940 level of construction cost indices.

In times of relatively stable eonomic conditions, replacement cost can achieve a very even and mathematical distribution of the tax burden. Over a period when construction price indices are changing rapidly, however, newer buildings tend to be grossly under-assessed in proportion to the actual investment made by the owner. Older buildings, similarly, appear to be grossly under-assessed in proportion to the price the owner is able to command for them upon a sale in the current market. It is these apparent inequalities, rather than any inequalities inherent in the method of valuation, that have produced recent critical comment with regard to assessment results in Utah.

> *The crux of the matter is this:* So long as a formula method of valuation is used, equality of treatment must be judged according to the results which may be achieved within the framework of the formula adopted; if equality of treatment is to be measured by the relative ratios of assessed valuation to sales price, and the people of Utah prefer that method of apportioning the tax burden, then the standard of assessed valuation must be changed from replacement cost to selling price. For the purposes of a centralized and necessarily wholesale method of determining values, the replacement cost formula is likely to be much less expensive to administer.

Assuming a perfect application of the 40 per cent standard, according to the Tax Commission's manual, it is apparent that due solely to changes in construction costs, present assessments on buildings and improvements are not likely to exceed 20 per cent of current market prices. Such an unduly low level of assessments is undesirable—

> It gives a false appearance of inadequate local tax resources; and it produces constant pressure on the Legislature and the Governor to levy new taxes at the state level to relieve the supposed inadequate local resources.
>
> It automatically imposes added drains on the state treasury to finance state aid programs for schools where the state agrees to provide the difference between the cost of a fixed program and the amount that a given millage will raise upon local assessed valuations.
>
> Finally, it distorts the effect of tax rate limitations, particularly under the complicated specific purpose limitations applied under Utah laws.

Despite these disadvantages of under-assessment, with reference to state and local finance, it would not be advisable to change the existing policy by any sudden and drastic increase in the level of assessed to true value. The state should be placed on a basis of 40 to 50 per cent of current replacement costs or market value, by gradual increases in assessed valuations over a period of years.

Tangible Personal Property In General

Thus far, the discussion has been concerned primarily with the taxation of real estate, although the general property tax covers a wide variety of wealth in the form of personal property. To the extent that such wealth takes the form of intangible personal property, namely stocks and bonds; accounts receivable, mortgages, and similar rights in property, the Utah Constitution permits but does not require that they be taxed as part of the general property tax. In a system of taxation which includes individual and corporate income taxes, it is neither necessary nor desirable to assess intangibles on an ad valorem basis as part of the property tax.

This leaves as potentially taxable household goods (which should no longer be taxed) and personal property used in business, such as machinery and equipment, inventories of raw materials, work in process, semi-finished goods and finished goods of both manufacturers and merchants, and furniture and fixtures. It also includes motor vehicles of all kinds whether used for personal or business purposes.

The taxation of personal property has been a subject of controversy in many states. To a large extent, inequalities of treatment among taxpayers are even greater in personal property assessments than they are alleged to be in real property assessments. This is not due to any greater difficulty of assessment; in fact there are ways of valuing inventories and machinery and equipment, due to their relatively more ready marketability than real estate, which can produce equality of treatment among taxpayers with more certainty than in the administration of the real property tax.

In Utah, personal property is an important part of the tax base. In 1940, of a total of $531 million of value assessed by county assessors, $14 million was on livestock and $143 million on personal property other than livestock. In 1953, out of a total of $625 million assessed by the county assessors, $16.4 million was on livestock and $184.6 million was on other personal property. Much of the argument concerning personal property has revolved around the question whether farmers or other businessmen are more heavily taxed on their personal property. In light of the current practice of assessing buildings at approximately 20 per cent of their replacement value, it is well to consider this question of personal property taxation from the viewpoint of equality of treatment at about that level of assessed to true value.

Are assessment practices different as they affect industries requiring large inventories as compared to other industries? This question cannot be answered fully from available information, but there is strong evidence that the practice is reasonably uniform among industries.

For example, among 2,395 corporations, the average ratio of total assessed value to total book value was 34.1 per cent. *While book values are not the standard of assessment*, they do offer a common denominator of the business taxpayer's view of valuations, taking taxpayers as an industry group in which the books of some individuals will carry assets substantially written off and others may have depreciated a little.

Table 26

RATIO OF TOTAL ASSESSED TO BOOK VALUES AND INVENTORIES ASSESSED, AMONG 2,395 CORPORATIONS DOING BUSINESS IN UTAH ONLY, 1952

Industry Class	No. of Firms	Inventories Ass'd. as % Total Ass'd.	Total Ass'd. as % of Total Book
Agriculture			
Agriculture	84	23.9%	32.9%
Agricultural Services	5	22.2	4.4
Mining			
Metal Mining (Excluding Principal Producers)	72	4.6	11.6
Coal Mining	16	8.0	43.8
Crude Petrol. and Nat. Gas	20	—	43.8
Non-Metallic Mining and Quarrying	12	.8	11.9
Contract Construction			
Building Construction	32	22.1	10.1
Gen. Constr. other than Bldg.	39	6.3	27.8
Constr. Spec. Trade Contractors	43	52.5	26.4
Manufacturing			
Foods and Kindred Products	78	31.1	35.5
Textile Mill Prod. and Others	6	39.9	40.9
Apparel and other finished Products	6	50.0	29.4
Lumber and Wood Prod. except Furn.	14	46.7	29.1
Furniture and Fixtures	5	77.5	37.5
Paper and Allied Products	*		
Printing, Publishing and Allied Ind.	44	29.5	37.3
Chemicals and Allied Products	13	11.1	22.4
Products of Petroleum and Coal	*		
Rubber Products	*		
Leather and Leather Products	*		
Stone, Clay and Glass Products	25	18.7	39.7
Primary Metal Products	4	26.4	34.3
Fabricated Metal Products	12	46.7	30.8
Machinery (except Electrical)	11	53.8	34.0
Elec. Mach. Equ. and Supplies	*		
Transportation Equipment	3	87.9	15.8
Professional and Scientific Instruments	*		
Misc. Mfg. Industries	8	51.9	27.0
Transportation, Communication and Utilities			
Railroads	5	—	64.3
Loc. and Interurban Rlwy. and Bus Lines	*		
Trucking and Warehousing	48	3.0	23.8
Other Transp. except Water Transp.	13	—	58.0
Services Allied to Transportation	17	15.9	32.9
Telephone and Tel. and Related Service	6	—	26.8
Utilities: Elec. and Gas	6	9.4	56.0
Local Utilities and Pub. Serv.	7	—	40.5

Table 26 (Cont'd.)

Industry Class	No. of Firms	Inventories Ass'd. as % Total Ass'd.	Total Ass'd. as % of Total Book
Wholesale and Retail Trade			
Full-serv. and Ltd. Function Wholesale	157	66.3%	25.8%
Whlse. Distributors (Other)	42	39.7	24.2
Lumber and Bldg. Material Dealers	108	48.6	41.3
Retail General Merchandise	42	50.1	34.8
Retail Food and Liquor Store	47	44.4	33.2
Retail Automotive	121	56.4	31.1
Retail Apparel and Accessories	67	72.2	29.3
Retail Trade NEC	250	58.8	33.8
Eating and Drinking Places	18	8.8	18.6
Retail Filling Stations	22	25.7	49.6
Finance, Etc.			
Banks and Trust Companies	50	—	37.8
Sec. Dealers and Invest. Banking	4	—	77.2
Finance Agencies NEC	167	2.0	36.7
Insurance Carriers	*		
Ins. Agents Brokers and Services	25	—	39.8
Real Estate	333	2.6	39.9
Real Estate, Ins. Loan and Law Offices	6	31.5	23.9
Holding Cos. (except Real Estate)	*		
Service			
Hotels, Rmg. Houses, Camps, and others	32	.1	48.0
Personal Services	57	5.8	39.6
Business Services NEC	54	14.8	20.6
Emp. Agencies and Trade Schools	*		
Auto. Repair Serv. and Garages	24	21.9	34.7
Misc. Repair Serv. and Hand Trades	27	8.0	42.7
Motion Pictures	36	—	24.4
Amuse. and Rec. and Related Serv.	19	6.4	32.9
Medical and Other Health Serv.	8	—	35.5
Educational Institutions and Agencies	*		
Other Prof. and Soc. Serv. Agencies	6	14.3	4.6
Nonprofit Membership Organ.	22	—	51.3
Misc.	2	—	34.8
Total	2,395	21.9%	34.1%

Source: State Tax Commission.

*Where there were fewer than three corporations in a group, the information is not published, to avoid disclosure of data regarding individual firms; but the totals include all firms.

> Overall, the variations from the average ratio of total assessed to total book values among industry groups was reasonably close, and there is no noticeable pattern of a higher or lower total ratio among industries with a lower or higher percentage of inventory in the total assessment (Table 26).

A new understanding of the nature and scope of the problem may be found in the results of a study of 2,395 corporations which do business solely in Utah, as part of the present examination of the tax system (Table 27). It is significant that the weighted average for the group as a whole was 38 per cent for the ratio of building assessment to building book value, 30 per cent for inventories, and 34 per cent for the ratio of total assessed to total book values. But these averages conceal a great diversity of business situations among industry groups, not to mention individual taxpayers. For example:

> In the metal mining group 72 small corporations (excluding principal producers) reporting a total income of $4,646,000 had a ratio of building assessment to building book values of 37 per cent, inventories of 15 per cent, and total of 12 per cent.
>
> In contract construction, 23 corporations having a total income of over $6 million, reported a building ratio of 25 per cent, inventories of 3 per cent and total of 10 per cent.
>
> Eating and drinking places and retail filling stations showed building ratios not too far from the average, but their personal property appeared to be assessed at over 60 per cent of its book value.
>
> Hotels and rooming houses, which were assessed somewhat above average for real estate, reported an average assessment of personal property of only 5½ per cent of book value.

These and other industry results appear in Table 27. In order to avoid any distortion through the inclusion of corporations which do business in other states, the Table is limited to those corporations which do business solely in Utah. While there is some margin of error due to faulty reporting by taxpayers as well as the limitations of mechanical processing of mass data, these conclusions appear to be warranted:

> As among industries, the results of the assessment process are surprisingly good from the viewpoint of reasonable equality of treatment as compared with book values. The illustrations of apparently unequal treatment which have been noted above stand out among over 60 different industry classifications. Since book value normally reflects original cost less depreciation, the averages among industries show considerable success in achieving the Tax Commission's 40 per cent standard of valuation.
>
> The greater differences among personal property assessments reflect the limited attention that is normally afforded this type of property as compared with real estate. Since

Table 27

BASIC FACTORS IN PROPERTY TAXATION OF 2,395 CORPORATIONS DOING BUSINESS IN UTAH, BY INDUSTRY, 1952

Industry Group	No. of firms	Total income (000)	Utah prop. tax (000)	Other prop. tax (000)	Bldgs. ass'd. (000)	Bldgs. book (000)	Inv. ass'd. (000)	Inv. book (000)	Total ass'd. (000)	Total book (000)	Utah prop. tax as % of total ass'd.	Utah prop. tax as % of total book	Bldgs. ass'd. as % of bldgs. book	Inventories ass'd. as % of inventories book	Total ass'd. as % of total book
Agriculture															
Agriculture	84	$ 3,958	$ 158	$ 2	$ 217	$ 601	$ 831	$ 2,691	$ 3,479	$ 10,586	4.5%	1.5%	36.1%	30.9%	32.9%
Agricultural Services	5	168	—		1	69	2	8	9	203	—	—	1.4	25.0	4.4
Mining															
Metal Mining	72	4,646	107		907	2,471	128	851	2,782	23,928	3.8	.4	36.7	15.0	11.6
Coal Mining	16	8,861	158	1	129	299	243	856	3,031	6,913	5.2	2.3	43.1	28.4	43.8
Crude Petrol. & Nat. Gas	20	436	5		—	4	—	5	136	558	3.7	.9	—	—	24.4
Non-Metallic Mining & Quarrying	12	1,461	25		35	79	2	247	247	2,084	10.1	1.2	44.3	.8	11.9
Contract Construction															
Building Construction	32	6,021	23		160	652	107	3,275	484	4,777	4.8	.5	24.5	3.3	10.1
Gen. Constr. other than Bldg.	39	7,284	25		46	117	32	175	505	1,818	5.0	1.4	39.3	18.3	27.8
Constr. Spec. Trade Contractors	43	3,636	19	3	44	147	210	573	400	1,518	4.8	1.3	29.9	36.6	26.4
Manufacturing															
Foods & Kindred Products	78	10,340	420		1,497	4,076	1,663	5,049	5,343	15,065	7.9	2.8	36.7	32.9	35.5
Textile Mill Products & Others	6	766	12		41	100	93	337	233	570	5.2	2.1	41.0	27.6	40.9
Apparel & other finished prod.	6	816	13		86	307	108	405	216	735	6.0	1.8	28.0	26.7	29.4
Lumber & wood prod. except furn.	14	970	17		89	254	183	607	392	1,349	4.3	1.3	35.0	30.1	29.1
Furniture & Fixtures	5	333	7		9	19	110	286	142	379	4.9	1.8	47.4	38.5	37.5
Paper & Allied Products	*														
Printing, Publishing & Allied Ind.	44	10,508	90	3	350	1,246	560	1,101	1,900	5,089	4.7	1.8	28.0	50.9	37.3
Chem. & Allied Products	13	1,679	63	11	376	299	175	455	1,574	7,026	4.0	.9	25.8	38.5	22.4
Prod. of Petroleum & Coal	*														
Rubber Products	*														
Leather & Leather Prod.	*														
Stone, Clay & Glass Prod.	25	3,954	90		636	1,275	359	985	1,920	4,831	4.7	1.9	49.9	36.4	39.7
Primary Metal Products	4	1,928	63		304	564	155	286	587	1,713	10.7	3.7	53.5	54.2	34.3
Fabricated Metal Products	12	1,540	41		195	562	370	1,022	792	2,572	5.2	1.6	34.7	36.2	30.8
Machinery (except Electrical)	11	801	19		79	187	197	594	366	1,078	5.2	1.8	42.2	33.2	34.0

Table 27 (Cont'd.)

Industry Group	No. of firms	Total income (000)	Utah prop. tax (000)	Other prop. tax (000)	Bldgs. ass'd. (000)	Bldgs. book (000)	Inv. ass'd. (000)	Inv. book (000)	Total ass'd. (000)	Total book (000)	Utah prop. tax as % of total ass'd.	Utah prop. tax as % of total book	Bldgs. ass'd. as % of bldgs. book	inventories ass'd. as % of Inventories book	Total ass'd. as % of total book
Elec. Mach., Equ. & Supplies	*														
Transportation Equipment	3	$1,121	$ 9		$ —	$ —	$ 145	$ 951	$ 165	$1,044	5.5%	.9%	—%	15.2%	15.8%
Prof. & Scientific Instruments	*														
Misc. Mfg. Industries	8	504	5		10	25	41	131	79	293	6.3	1.7	40.0	31.3	27.0
Transportation, Communication & Utilities															
Railroads	5	2,895	221		339	553	—	—	5,665	8,809	3.9	2.5	61.3	—	64.3
Local & Int. Urb. Rlwy. & Bus Lines	*														
Trucking & Warehousing	48	5,588	62		326	1,877	30	91	997	4,184	6.2	1.4	17.4	33.0	23.8
Other Tran. except Water Tran.	13	1,178	13		35	94	—	1	262	447	5.0	2.9	37.2	—	58.6
Services Allied to Tran.	17	1,262	15		153	543	59	182	372	1,132	4.0	1.3	28.2	32.4	32.9
Tel., Telegraph & Related Serv.	6	294	8		19	60	—	—	167	622	4.8	1.3	31.7	—	26.8
Utilities; Elec. & Gas	6	2,620	74		266	640	474	1,577	5,033	8,991	1.5	.8	41.6	30.1	56.0
Local Utilities & Pub. Ser.	7	316	12		—	—	—	1	263	649	4.6	1.8	—	—	40.5
Wholesale and Retail Trade															
Full-Serv. & Ltd. Function Whlse.	157	15,901	222	7	535	1,520	2,561	10,157	3,864	14,978	5.7	1.5	35.2	25.2	25.8
Whlse. Distributors (Other)	42	12,626	69	22	283	928	338	1,364	851	3,510	8.1	2.0	30.5	24.8	24.2
Lumber & Bldg. Material Dealers	108	8,281	130		427	1,123	1,326	3,402	2,726	6,601	4.8	2.0	38.0	39.0	41.3
Retail General Merchandise	42	7,190	125		386	1,226	1,146	3,635	2,289	6,581	5.5	1.9	31.5	31.5	34.8
Retail Food & Liquor Stores	47	5,582	64	57	297	363	540	1,574	1,216	3,664	5.3	1.7	81.8	34.3	33.2
Retail Automotive	121	15,226	198		628	2,159	2,231	7,196	3,955	12,735	5.0	1.6	29.1	31.0	31.1
Retail Apparel & Accessories	67	5,162	50		56	211	783	2,636	1,085	3,704	4.6	1.4	26.5	29.7	29.3
Retail Trade NEC	250	21,031	312		1,075	3,023	3,728	11,180	6,345	18,773	4.9	1.7	35.6	33.3	33.8
Eating & Drinking Places	18	1,262	39		10	45	6	10	68	365	57.4	10.7	22.2	60.0	18.6
Retail Filling Stations	22	1,754	21		160	454	164	265	638	1,286	3.3	1.6	35.2	61.9	49.6
Banks & Trust Companies	50	20,272	131		1,383	3,187	—	—	2,328	6,156	5.6	2.1	43.4	—	37.8
Security Dealers & Invest. Banking	4	426	—		29	14	—	—	44	57	—	—	7.1	—	77.2
Finance Agencies NEC	167	10,970	80		826	1,992	36	158	1,836	4,999	4.4	1.6	41.5	22.8	36.7
Insurance Carriers	*														
Ins. Agents, Brokers & Services	25	1,794	—		—	—	—	1	51	128	—	—	—	—	39.8
Real Estate	333	12,769	982	1	10,464	27,332	499	992	18,834	47,256	5.2	2.1	38.3	50.3	39.9
Real Estate, Ins., Loan & Law Off.	6	304	2		8	32	17	91	54	164	3.7	1.2	25.0	18.7	32.9
Holding Cos. (except Real Estate)	*														

Table 27 (Cont'd.)

Industry Group	No. of firms	Total income (000)	Utah prop. tax (000)	Other prop. tax (000)	Bldgs. ass'd. (000)	Bldgs. book (000)	Inv. ass'd. (000)	Inv. book (000)	Total ass'd. (000)	Total book (000)	Utah prop. tax as % of total ass'd.	Utah prop. tax as % of total book	Bldgs. ass'd. as % of bldgs. book	Inventories ass'd. as % of inventories book	Total ass'd. as % of total book
Service															
Hotels, Rmg. Houses, Camps & Others..	32	$6,423	$145		$1,234	$2,439	$3	$54	$2,268	$4,723	6.4%	3.1%	50.6%	5.6%	48.0%
Personal Services	57	4,343	46		282	760	58	173	995	2,511	4.6	1.8	37.1	33.5	39.6
Business Services NEC	54	4,179	30		108	234	52	173	352	1,708	8.5	1.8	46.2	30.1	20.6
Employment Agencies & Trade Schools	*														
Auto. Repair Serv. & Garages	24	1,972	8		65	94	87	222	398	1,147	2.0	.7	69.1	39.2	34.7
Misc. Repair Serv. & Hand Trades	27	3,634	35		281	666	63	189	784	1,836	4.5	1.9	42.2	33.3	42.7
Motion Pictures	36	3,276	31		285	993	—	6	553	2,263	5.6	1.4	28.7	—	24.4
Amusement & Rec. & Related Serv.	19	1,081	6		15	91	18	42	280	852	2.1	.7	16.5	42.9	32.9
Medical & Other Health Serv.	8	154	2		48	127	—	4	59	166	3.4	1.2	37.8	—	35.5
Educational Institutions & Agencies	*														
Other Prof. & Soc. Serv. Agencies	6	737	—		—	—	4	43	28	608	—	—	—	9.3	4.6
Nonprofit Membership Organ.	*														
Misc.	2	40	2		26	27	—	—	57	164	3.5	1.2	96.3	—	34.8
TOTAL	2,395	$256,551	$4,570	$ 107	$25,933	$67,385	$20,062	$66,719	$91,730	$269,172	4.9%	1.7%	38.5%	30.1%	34.1%

*Wherever there were fewer than three firms in the group, information has been omitted to avoid disclosure of individual firms; but the totals include all firms.

inventories are carried on the books at reasonably current values, however, it is apparent that assessments of business inventories are discriminatory in favor of assessments of real estate, the book value of which rarely reflects current replacement costs.

As part of the revaluation program, therefore, it would be appropriate to restore the balance of assessment level as between real and personal property in terms of current replacement cost rather than to increase assessments on personal property used in business in proportion to the anticipated increases in the valuations of real estate.

As a matter of general tax policy, there may be a question whether a state like Utah which already has corporate and individual income taxes and a consumer sales tax, should properly tax inventories of merchandise, raw materials and semi-finished goods, and livestock of farmers, either at the same rates as real estate or as part of the general property tax at all. Such inventories are a current asset, have value solely for the purposes of resale, and are taxed as economic goods by the other three taxes. Persuasive arguments against the taxation of inventories as part of the general property tax, within a well-balanced tax system, have been marshalled by the Committee on Personal Property Taxation of the National Tax Association and in a number of other places.[1]

The basic problem in any change of policy which might classify inventories for exemption or for taxation at a fraction of the rate on real estate is partly constitutional and partly practical. Under the Utah Constitution, (Art. XIII, Sec. 2) "all tangible property" is required to be taxed "in proportion to its value, to be ascertained as provided by law." The same section specifically limits the legislative power to exempt property from taxation and goes on to require that "the Legislature shall provide by law a uniform and equal rate of assessment and taxation on all tangible property in the state, according to its valuation in money, . . ." It is apparent that the language expressly prevents either the exemption of inventories or their classification for a low rate of taxation. Either policy would, therefore, require a constitutional amendment.

From the viewpoint of the revenue that would be lost due to the exemption of livestock and the inventories of merchants and manufacturers, the effect would be uneven among the various counties, depending upon the extent to which personal property now forms a part of the tax base. If motor vehicles, machinery and equipment remain taxable, the overall loss in tax charged through the exemption of livestock and inventories (using 1953 as an example) would amount to about 8.25 per cent of the total tax charged, but in some counties there would be little left to tax for local government. This would mean that the state would be required to produce an additional $4 to 4½ million annually in replacement revenues to cover the loss to the counties. Here again, however, the earmarking of revenues which mars Utah's finance would make such a replacement impractical.

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[1]National Tax Association, Proc. of the 46th Annual Conference (1953), Report of the Committee on Personal Property Taxation, pg. 359 at 406.

The choice is a matter of public values. From the viewpoint of all interested groups, the exemption or classification of livestock and inventories of merchants and manufacturers, together with the transfer of the tax burden to the other tax bases, is not likely to meet with public acceptance, even if it were it would be sound tax policy.

Tax Rates and Purposes

The property tax in Utah is characterized by a minute classification of the tax rate according to the expenditure purpose for which taxes are levied. State levies are classified for the general fund, for school equalization, county fund, tuberculosis and bangs disease control fund, and for cattle inspection. County levies are further classified and limited according to the various purposes of county government. City and town levies are subject to detailed separate purpose limitations as well as aggregate limits in the case of cities. School district levies are limited in relation to a state established school financing program designed to prevent any district, regardless of its tax paying capacity, from offering an educational program which costs too much more than the average. While each of these forms of tax rate limitation require separate consideration, it is helpful at the outset to recognize that school property taxes now constitute about 60 per cent of the total property tax charged (Table 19).

It is unnecessary to reprint here the annual summary of overlapping tax rates in the various counties, school districts, cities, towns and special districts throughout the state, which is effectively reported annually in the *Utah Taxpayer*. These tabulations of the *Utah Taxpayer* show that in 1953 the aggregate rate for county purposes ranged as low as 5.40 mills in Sevier County to as high as 14.80 mills in San Juan County. Among the cities and towns, the levy ranged from as low as 2 mills in Mantua town to 25 mills in such cities as Eureka and Tooele city. Among the school levies, the range was from about 18 mills in a number of counties to 31.60 mills in Sevier County and 30.40 mills in Ogden City school district. It is quite apparent that tax rate limitation has meant different things to different parts of the state, as well as to different property owners in the same taxing district. There is serious question, moreover, as to the true meaning of tax rate limitation when it permits a total levy of 58.40 mills in Salt Lake City and 57 mills in Eureka city, or 58.95 mills in Spanish Fork city, and 63.15 mills in Ogden, at the same time that the state has been assuming a larger and larger share of the cost of education. Pertinent questions are suggested:

1. Do property tax limits really limit taxes:
2. Are the present tax limitations in Utah serving a useful purpose.

As the result of some 20 years of experience with a wide variety of property tax rate limitations, competent observers are generally agreed that such limitations may sometimes succeed in restraining the taxation of property, but generally fail to restrict the total tax burden; and even tend to increase it by compelling the adoption of new and additional forms of taxation at the state level. This conclusion is based upon a considerable variety of tax limitations, and their operation of the depression period 1932-1941—a time during

Table 28
CHANGES IN TAX REVENUES 1942-1953, IN SELECTED STATES CLASSIFIED BY TYPE OF TAX LIMITATIONS

	Per Capita Total Local Taxes			Per Capita Local Property Tax			Per Capita State Tax Collections			Per Cent Change 1932 - 1941[3] in Per Capita	
	1942[1]	1953[2]	% Change	1942[1]	1953[2]	% Change	1942[1]	1953[2]	% Change	Local Property Tax	State Taxes
States with no general property tax limit or unimportant ones											
Connecticut	$49.64	$76.52	54.15%	$47.03	$75.40	60.32%	$47.83	$65.77	37.51%	10.6%	11.0%
Delaware	17.39	29.42	69.18	16.58	27.53	66.04	50.19	75.66	50.75	—22.8	10.6
Maine	32.32	67.13	107.86	31.42	65.79	109.39	34.30	64.14	87.00	—2.1	43.3
New Hampshire	41.53	103.91	150.20	39.78	98.79	148.34	35.66	61.24	71.73	20.7	72.7
New Jersey	58.45	105.82	81.04	57.01	95.35	67.25	46.38	44.36	—4.36	19.3	87.4
Vermont	30.40	63.39	108.52	29.64	60.63	104.55	36.59	72.24	102.90	35.7	34.5
Average			95.16			92.65			57.59	10.2	48.3
States with overall property tax limits											
Indiana	30.56	62.78	105.43	30.10	61.39	103.95	36.59	69.23	89.20	—22.7	117.5
Michigan	35.35	62.69	77.34	34.66	61.21	76.60	47.78	86.83	81.73	—21.4	158.5
Nevada	58.90	102.92	74.74	50.10	81.49	62.65	54.95	93.36	69.90	8.3	39.6
New Mexico	12.51	25.98	107.67	11.43	20.55	79.79	37.49	97.06	158.90	—50.4	140.3
Ohio	27.76	59.16	98.79	29.09	53.97	85.53	43.71	60.14	37.59	—31.9	324.2
West Virginia	15.84	25.31	59.79	14.88	21.36	43.55	35.54	63.53	78.76	—48.4	203.1
Average			87.29			75.35			86.01	27.8	163.7
States with gen. const. limits											
Alabama	10.11	23.17	129.18	7.45	15.23	104.43	21.99	52.10	136.93	—12.4	156.1
Kentucky	14.67	32.25	119.84	13.57	27.06	99.41	23.52	47.29	101.06	— 2.1	43.3
Missouri	26.68	52.26	95.88	23.20	42.09	81.42	28.01	51.09	82.40	—19.9	151.0
New York	66.18	114.29	72.70	59.86	85.42	42.70	47.93	73.78	53.93	0.6	170.8
Texas	21.19	50.31	137.42	20.34	45.59	124.14	26.48	54.64	106.34	— 2.7	67.8
Wyoming	35.88	65.48	82.50	33.80	60.48	78.93	34.46	89.13	158.65	—10.6	50.2
Average			106.25			88.51			106.55	7.9	106.5
States with gen. statutory limits											
Georgia	12.98	33.99	161.86	11.60	28.84	148.62	22.71	62.04	173.18	3.0	86.8
Idaho	30.95	69.44	124.36	30.37	63.43	108.86	30.94	63.76	106.08	—21.9	64.6
Illinois	44.99	78.98	75.55	41.34	70.89	71.48	40.62	57.69	42.02	— 0.5	262.5
Iowa	32.68	82.13	151.32	31.88	80.15	151.41	31.60	64.03	102.63	10.6	111.8
Kansas	33.51	75.69	125.87	32.77	72.54	121.36	27.78	68.55	146.76	— 4.4	84.4
Nebraska	31.08	75.94	144.34	29.67	70.32	137.01	20.91	44.22	111.48	— 3.8	65.9
Utah	30.16	60.83	101.69	28.73	57.76	101.04	45.65	67.58	54.82	5.1	98.3
Virginia	16.96	36.21	113.50	14.71	28.39	93.00	28.18	53.93	91.38	— 7.6	85.1
Average			124.81			116.60			103.54	2.4	107.4

[1]Computel from Revised Summary St. and Loc. Gov. Finances in 1942, Bul. b-55 no. 26—June 1948, Dept. of Commerce, Bureau of Census.
[2]State and Local Gov. Revenue in 1953—G 58 no. 37—Oct. 27—1954, Dept. Commerce—Bureau of Census.
[3]U. S. Bureau of Census.

which a number of property tax limitations were adopted together with state sales or income taxes.

The notion that property tax limits actually limit the burden of taxation is dispelled by an examination of the experience of states with and without such limits between 1942 and 1953. As shown in Table 28—

> Tax limitations are no longer operating as they did in depression times—when they held local property taxes down and forced state replacement taxes upward. States with property tax limits did not experience any less increase than states without such limits in per capita local property tax between 1942 and 1953; the average local increase in tax limitation states was even greater than that among other states over this period.

One of the principal lessons learned by tax limitation states during the recent post-war years has been that you cannot pay 1954 prices for the things that government buys and still maintain assessed valuations at 1940 price levels. The attempt to do this inevitably has resulted in general pressures upon the tax system for raising the ceiling limits or for "relief" of real estate, or has promoted the growth of one form or another of government unit which is outside the tax limit, such as public authorities and special districts. In Utah, both of these elements have been evident and in addition, it has become necessary to raise the tax limitations in many instances.

> *As a matter of sound tax principle, the old system of property tax limitation could be abandoned in the confident belief that local tax rates will be effectively limited by the willingness of local people to tax themselves.* Since such a radical departure from past policy will be difficult, however, it is well also to look toward some improvement in the present system of rate limitations.

The Operation of Present Tax Rate Limits in School Districts

Since property taxes for school purposes take about 60 per cent of the total property tax levy at present, it is well to examine these levies as of first importance. The form of tax limitation for school purposes is different than that for all other purposes. It is a combination of a fixed dollar amount, determined by the state-established program, and a millage limit.

The basic form of the present controls on property taxes levied for school purposes stems from the laws of 1947 which provide for a comprehensive state supported school program. That program was amended in 1951 and again by the special session of 1953. The state formula at present establishes what is known as a "distribution unit." This unit now consists of 27 pupils in any grade except kindergarten in average daily attendance; for kindergarten one unit is 50 pupils in average daily attendance. The new law guarantees that each district shall have a basic minimum of $4,050, plus transportation, per distribution unit, but the district must levy 12 mills on property under

Table 29

UNUSED TAX MILLAGES IN SCHOOL DISTRICTS
(according to options selected by the districts)

1954 SUMMARY

District	Maintenance and Operation			Recreation	Capital Outlay[3]				Total All Purposes[1]
	Normal	Emergency[2]	Total		10/5	12/4	10%	Total	
Alpine	0.23		0.23				2.90	2.90	3.13
Beaver	.03		.03		10.0		1.36	11.36	11.39
Box Elder	.05		.05			5.05	2.48	7.53	7.58
Cache	.08		.08			2.15	3.74	5.89	5.97
Carbon					10.0		.05	10.05	10.05
Daggett							4.34	4.34	4.34
Davis	.13		.13		10.0		4.67	14.67	14.80
Duchesne						2.0	5.61	7.61	7.61
Emery	.61		.61			12.0	.05	12.05	12.66
Garfield	1.79		1.79				7.14	7.14	8.93
Grand	3.30		3.30		10.0		.15	10.15	13.45
Granite	.14	0.11	0.25				3.58	3.58	3.83
Iron				0.5	5.0		.96	5.96	6.01
Jordan						5.0	6.45	11.45	11.45
Juab	1.36		1.36		10.0		.37	10.37	11.73
Kane	3.49		3.49				5.51	5.51	9.00
Millard	.31		.31		2.56		3.27	5.83	6.14
Morgan					8.25		.01	8.26	8.26
Nebo	.20		.20				3.93	3.93	4.13
North Sanpete	.19		.19		10.0		2.89	12.89	13.08
North Summit							1.59	1.59	1.59
Park City					10.0		3.38	13.38	13.38
Piute	.28		.28		10.0		1.25	11.25	11.53
Rich	2.89		2.89				3.51	3.51	6.40
San Juan	4.47		4.47		2.0		5.48	7.48	11.95
Sevier	2.89		2.89				2.06	2.06	4.95
South Sanpete	.14		.14		10.0		.13	10.13	10.27
South Summit	.11		.11				2.92	2.92	3.08
Tintic	.02	0.94	.96		10.0		.01	10.01	10.97
Tooele	2.02		2.02		3.0		3.67	6.67	8.69
Uintah	1.24		1.24		10.0		2.95	12.95	14.19
Wasatch	.16		.16		10.0		.27	10.27	10.43
Washington	1.65		1.65				6.21	6.21	7.86
Wayne	2.89		2.89				8.51	8.51	11.40
Weber	3.32		3.32		3.4		2.02	5.42	8.74
Salt Lake City	.01	0.35	0.36			3.53	2.61	6.14	6.50
Ogden City	.14	1.69	1.83			7.04	.07	7.11	8.94
Provo City	.42		.42			12.0	.37	12.37	12.79
Logan City	.15		.15				4.84	4.84	4.99
Murray City	.23	4.25	4.48				4.21	4.21	8.69

[1]Preliminary and unaudited.
[2]No emergency figured unless there was a known carried election.
[3]10 mills/5 years and 12 mills/4 years forced here to use same option exercised in 1953.

this program.[1] If the district makes an additional levy of 4 mills, it can have an additional 12 per cent of the $4,050 program in the form of supplementary aid. In addition to this 16 mills, the local school board may vote a "leeway levy" of 20 per cent (plus transportation) above the basic program of $4,050 per distribution unit, or 5 mills per dollar, whichever is greater. This provides a total limit of 21 mills, and more in districts where 20 per cent of the program is greater than the equivalent of a 5 mill levy.

In addition the new law (H.B. 29) permits a further increase in local leeway levy of up to 16 per cent of the basic program of $4,050, to meet emergency conditions upon a favorable vote of the electorate. Paralleling the 20 per cent leeway levy, this would add another 4 mills, approximately, for a total permissible local levy of 25 mills, or 16 mills plus 36 per cent of the basic program, whichever is greater. It is thus apparent, that in the case of school taxes, tax limitation is intended as an equalizer of the educational program which may be offered by any school district, as much as a protection to the taxpayer.

The effect of the limitation is to vary the amount of tax which may be levied according to the number of pupils in average daily attendance in the school district. This means that for school purposes a district may levy as much tax as it wishes provided that it does not spend more per pupil than $5,508 per distribution unit, plus transportation, except that where 5 mills produces more than 20 per cent of the basic program, this excess may also be spent on the program. In brief, 21 mills is the part of the limit which is tied to local assessed valuations while 36 per cent of the basic program is the part of the limit which is tied to the number of pupils in average daily attendance in the district. *In effect, 60 per cent of the property tax burden (the school levy) is limited only by the number of pupils rather than by any millage rate limit.*

It is apparent from an analysis of the 1954 millage levies for school purposes that many school districts either do not require or are unwilling to use the full millage available to them under the new program. These school districts include, Grand, Kane, Rich, San Juan, Sevier, Tooele, Wayne, Weber and Murray, all of which had at least two mills of unused millage for maintenance and operation in 1954. In every school district there was substantial unused millage for capital outlay in the same year, as shown in Table 29 with the possible exception of North Summit, which had only 1.59 mills unused for capital outlay and no unused millage for maintenance and operation. In all school districts, as already noted, the allowable millage is applied to assessed valuations which are very low in relation to current true value. While these data thus present a real question as to the willingness of school districts to make the same relative sacrifice for education, on the one hand, or their relative need for funds on the other, it is clear that allowable millage alone cannot be a satisfactory guide to the quality of the school system or to the real burden on local taxpayers.

From the viewpoint of tax policy, however, this conclusion should be emphasized:

[1]Two districts, Daggett and Duchesne, levied less than 12 mills.

The state has undertaken an open end agreement to support public schools in a manner which can be used to subsidize under-assessment of taxable property. While lower valuations will produce fewer dollars from 16 mills, the state's commitments are expressed in terms of the actual number of dollars required to make up the difference between the local dollars and the cost of the minimum school program. This condition requires a reasonable but vigorous application of the principle of fair valuation to current assessments if the entire state tax system is not to become distorted in the guise of a benefit to education.

County-wide, City and Town Levy Limits, in Mills per Dollar of Assessed Valuation

The property tax limits for county, city and town purposes are stated in terms of the specific purposes of expenditure for which the tax may be levied. The county limits are at present further classified into six assessed valuation classes, among which there is little difference except in the allowable limit for general fund purposes, and for a county or joint hospital. With respect to general fund purposes, counties with assessed valuations of less than $2 million may levy up to 6 mills per dollar while counties with assessed valuations of more than $100 million may levy up to 3 mills per dollar. In the case of a county or joint hospital purpose, counties of assessed valuations of less than $2 million may levy up to 4 mills and counties with more than $100 million may levy up to 1 mill. There is some gradation in the intermediate counties between these two extremes of the scale. Even though the ratio of assessed to fair cash value has declined steadily since 1940, these maximum limitations have been relatively unchanged over the past 15 years, as shown in Table 30.

It remains to determine whether these limits have in fact served as a restraint on county tax levies. In this connection, the experience in other states has been that wherever tax limits proved restrictive the tendency was to levy the maximum limit and then manipulate assessments in order to produce additional tax yield as desired. If this were the case in Utah we would find many of the counties levying the maximum rate permitted. A careful examination of the levy book discloses, however, that some counties have been levying the maximum rate for some purposes, but practically all counties have operated well below the total limit and have substantial unused millage for the purposes for which they levied any tax at all.

As shown in Table 32 there is no county which even approached its maximum permissible levy in 1953, and all counties but one had substantial unused millage for the purposes for which they levied any tax at all. The ceilings have been restrictive for some purposes, of course, but they have operated most unevenly.

Conclusion: It is quite apparent that insofar as the county boards of commissioners are concerned, the present system of tax rate limitations has been less responsible for restraint in property tax levies than has been their own good judgment and the needs of the county.

Table 30

COMPARISON OF MAXIMUM TAX RATES IN MILLS PER DOLLAR PERMITTED IN COUNTIES

By Assessed Valuation Classes, 1940 and 1953

	Line Purpose of Levy	Less Than $2,000,000		$2,000,000 to $4,000,000		$4,000,000 to $7,000,000		$7,000,000 to $12,000,000		$12,000,000 to $20,000,000		$20,000,000 to $100,000,000		Over $100,000,000	
		1940	1953	1940	1953	1940	1953	1940	1953	1940	1953	1940	1953	1940	1953
1	General Fund	4.5	6.0	3.5	6.0	2.5	6.0	2.0	4.5	1.8	4.5	1.8	3.5	1.8	3.0
2	Poor and indigent County Hospital	1.0	1.0	.7	1.0	.5	.5	.4	.6	.5	.6	.5	.5	.5	1.0
3	Poor and indigent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
4	Public welfare	5.0	4.0	5.0	4.0	5.0	4.0	5.0	4.0	5.0	4.0	5.0	1.0(a)	5.0	1.0
5	To pay judgments	No Maximum Fixed													
6	To pay indebtedness	No Maximum Fixed													
7	Interest and sinking fund	No Maximum Fixed													
8	General deficits*	No Maximum Fixed													
9	County roads	2.0	3.0	2.0	3.0	2.0	3.0	2.0	3.0	2.0	3.0	2.0	3.0	2.0	3.0
10	County library	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
		(Not in cities over 20,000)													
11	Exhibitions, Water Supply or Conservation Surveys	0.2	0.5	0.2	0.5	0.2	0.5	0.2	0.5	0.2	0.5	0.2	0.5[c]	0.2	[c]
		(Over $45,000,000 valuation — Limit $25,000)													
12	Memorials	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
13	Airports**	No Maximum Fixed													
14	Playgrounds**	—	0.75	—	0.75		0.75						0.75		0.75
15	County Agricultural Agent**	No Maximum Fixed													
16	Noxious weeds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	***1.0	1.0	1.0	1.0	1.0	1.0[d]
17	Colorado River Project	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
18	Emergency drought relief	—	1.0	—	1.0	—	1.0	—	1.0	—	1.0	—	1.0	—	1.0
19	Mosquito abatement	—	1.0	—	1.0	—	1.0	—	1.0	—	1.0	—	1.0	—	1.0
20	Flood control	—	0.5	—	0.5	—	0.5	—	0.5	—	0.5	—	0.5	—	0.5
	Total Maximum	17.7	22.75	16.4	22.75	15.2	22.25	14.2	20.1	14.5	20.1	14.5	16.75	14.5	16.25

*See Attorney General's opinion dated August 30, 1938.
**See Attorney General's opinion dated September 11, 1935.
***0.5 of a mill maximum in counties with assessed valuation in excess of $200,000,000—1940 limit.
(a) Counties assessed valuation $15,000,000 or less 4 mills hospital purposes; all other, 1 mill.
(b) Except on property in cities with more than 20,000 nihabitants.
(c) Counties with assessed valuation of more than $45,000,000 maximum $30,000.
(d) 0.5 mill maximum in counties assessed valuation in excess $200,000,000.
(x) See Attorney General's Opinion dated August 30, 1938.
(y) See Attorney General's opinion dated September 11, 1935.
(z) 0.5 of a mill maximum in counties assessed valuation in excess of $200,000,000.

Table 31

COMPARISON OF MAXIMUM LEVIES PERMITTED IN CITIES AND TOWNS 1940 and 1953

1st Class .....Salt Lake City
2nd class over 20,000 population .....Ogden and Provo in 1953
2nd class 15,000 to 20,000 population .....Logan, Murray and Provo in 1940
3rd class 800 to 15,000 population
Towns 800 or less

Line	Purposes of Levy	Cities: First Class	Cities: Second Class: Over 20,000	Cities: Second Class: Under 20,000	Cities: Third Class	Towns
1	General Purposes (10-13-12)					(x) 4 or 6
2	Contingent Expenses (10-8-87)	3.0	3.0	5.0	5.0	
3	Waterworks (10-8-87)	4.0	4.0	4.0	4.0	
4	Streets and Sidewalks (10-8-87)	3.0	3.0	5.0	5.0	
5	Parks and Public Property (10-8-87)	2.0	2.0	2.0	2.0	
6	Sewers and Drains (10-8-87)	2.0	2.0	2.0	2.0	
7	Public Affairs and Finance (10-8-87)	2.0	2.0	2.0	2.0	
8	Gas, Elec. Lights, Baths, etc. (10-8-87)	3.5	3.5	3.5	3.5	
9	Public Safety (10-8-87)	5.0	5.0	5.0	5.0	
10	City Halls or Memorials (10-8-87)	5.0	5.0	5.0	5.0	
11	City Auditor (10-8-87)	0.5	0.5	0.5	0.5	
12	Recreation (11-2-7) (10-13-26)	0.75	0.75	0.75	0.75	0.75
13	Hospitals (10-8-90)	0	0	0	5.0	5.0
14	Judgments, Int. and Sinking Fund (10-7-9)	No Maximum fixed				(y)
15	Waterworks, Irrig. and Lighting System (10-13-14)					4.0
16	Water Purif. and Sewage Disposal (Ch. 21, L53)	4.0	4.0	4.0	4.0	4.0
17	Spec. Impr. Guarantee Fund (10-7-51)	1.0	1.0	1.0	1.0	1.0
18	Mosquita Abatement (26-14-9)* *Maximum amount allowed for Mosq. Abate. Fund Levy, cannot exceed 10c on each $100 of val. of Dist. Must be an organized Dist.					
19	(Z) Libraries and Gymnasiums (37-2-1) *2.5 if both Libraries and Gymnasiums.	1.0	1.5	1.5	2.0*	2.0*
20	Airports (2-2-8 and 2-3-8)	No Maximum fixed				
21	Maximum Total (10-8-87) 1953	18.5	—	21.5	—	—
22	Detail Total 1953	36.75	37.25	41.25	46.75	20.75 or 22.75
	1940 Differences Eliminate lines 12, 13, and 16 Make line 19 read:	0.67	1.0	1.0	2.0*	2.0*
23	1940 detail total	31.67	32.00	36.00	37.00	11.00 or 13.00

[x]Over 4 mills require authority granted by spec. election. No levy may exceed 6 mills. Takes 2/3 majority.
[y]See also 10-32-22 town levies for Int. and Sinking Fund requirements.
[z]Minimum of 1/3 of a mill in 1st class cities. 3rd class cities and towns may levy 2.5 mills when public Libraries have gym's in connection.

At best, the rate limitations serve to deprive the boards of commissioners of proper discretion in the apportionment of taxpaying capacity to the various services of county government. At worst, they introduce a needless complication in the levying of taxes and tend to shift the decision making in county taxation from the counties where it belongs to the Legislature where it is diffused.

Of most importance, these tax limits discourage any effective budget system—which is what local government in Utah needs most.

Maximum Levies in Cities and Towns

The millage limits classified by purpose for cities and towns are even more complicated than those set forth for counties. As shown in Table 31, different limits are prescribed for four classes of cities and for towns, and they cover 20 different purposes although there is no maximum fixed on the millage which may be levied for airports or to pay judgments, interest and principal on the debt.

Although 1 mill will raise in equivalent tax dollars only about one third of what it would have raised in 1940 on a per capita fair value basis, the maximum levy limitations have changed little since that year. As Table 31 shows, the detail total for first, second and third class cities has not varied greatly over the 14 year period. The maximum total for those levies which are limited as applied to Salt Lake City, (18.5 mills) and Logan and Murray (21.5 mills) was no more in 1953 than it was in 1940. As compared with these cities, Ogden and Provo have an aggregate limit of 37.5 mills which is a moderate increase over its 1940 aggregate of 32 mills. Third class cities, those between 800 and 15,000 population, also have no maximum total and therefore have a present limit of 46.75 mills as compared with 37 mills in 1940. With respect to towns, the additional levy limits which have been established since 1940 are for new and different services rather than for the purpose of reflecting the lessened productivity of the property tax millage. A greater increase in property taxes may be attributed to the authorization of special districts which are outside these established limits.

While it is difficult to summarize the great variety of situations which have occurred in the application of these limits to cities and towns, and the extent to which each has made use of one or more of the 20 different ceiling items, certain reasonably general conclusions are apparent.

As shown in Table 32 (See page 80), the great majority of cities and towns had no need to levy taxes for all of the purposes authorized, and also had substantial unused millage for some of the purposes which are used. It is notable that Ogden City which had a total maximum of 37.25 mills actually levied 18.5 mills in 1953 and had 14.92 mills unused for the purposes for which it levied any tax. Provo City which had the same maximum permissible levy in 1953 actually levied 23 mills and had 5.75 mills unused for the purposes for which it levied any tax. Salt Lake City, on the other hand, was limited by its aggregate total of 18.5 mills and had no unused millage under this provision (Table 32).

While the levy limits were undoubtedly restrictive for some specific purposes, even among cities and towns which had a total unused

tax millage of substantial amount, it is apparent that the limitations worked most unevenly and have erratic effects in the determination of local budgeting policies. Even if the policy of limiting the real estate tax is to be retained, there can be no justification for depriving locally elected representatives of a choice of expenditure programs best suited to the needs of their own community without the hampering effect of rigid tax rate limitations geared to specific purposes of expenditure. Here again a true local budget system is discouraged even though it is what local government in Utah needs most.

It is accordingly recommended:

> Serious consideration should be given to complete abandonment of property tax rate limitation. If it is retained, the present system of specific purpose limitations should be abandoned in any event and replaced by an effective local budget system and a single aggregate limit separately stated for schools, municipalities and counties, such as 1.5% for schools, 1% for municipalities, ½% for counties, upon the current fair cash value, except upon special vote of the electors.

Summary of Conclusions and Recommendations Regarding the General Property Tax

1. The general property tax in Utah is part of a well-balanced tax system, and there is no evidence that property in Utah is taxed more heavily than comparable property elsewhere, nor that such property in Utah is bearing more than its fair share of the total cost of state and local government.

2. While the property tax will naturally differ in its impact on different industries, due to their varying needs for capital investment, a study of tax returns and other economic data leads to the conclusion that the property tax is a relatively unimportant part of the cost of doing business, whether it be in agriculture, mining, manufacturing, wholesale or retail trade.

3. It is essential to the successful use of the property tax and to the protection of the entire tax system that assessments be restored to a reasonable percentage of current market values, perhaps 40 per cent of current cash value. Further improvement of assessments at the county level will require that they share the services of full-time professionally qualified assessors where they are not large enough to warrant such assistance of their own.

4. The present program of equalization of assessments should be applied to real and personal property alike, but with recognition of the possible present discrimination against inventories.

5. Since the state's commitments for school aid are expressed in actual dollars required to make up the difference between local dollars and the cost of a minimum school program, the key to sound state finance as well as a fair measure of local fiscal capacity lies in a reasonable but vigorous application of the principle of fair valuation to current assessments.

6. It is a sound policy under the present Utah tax structure to exempt intangible personal property from the property tax, but it is not feasible to consider the exemption of inventories of livestock and merchandise from that tax and the replacement of their tax yield from other tax bases.

7. Tax rate limitation as presently practiced with respect to schools, counties, cities and towns is detrimental to both state and local government. It should be eliminated or completely revised along the lines suggested.

8. At best, the present system of tax rate limitations serves to deprive the boards of commissioners of proper discretion in the apportionment of tax paying capacity to the various services of county government; at worst they shift the responsibility from counties, cities and towns where it belongs to the Legislature where it is unworkable. Moreover, the tax limits discourage any effective budget system and this is what local government in Utah needs most from the viewpoint of sound financing.

9. Tax limitations have worked most unevenly and have had erratic effects in the determination of local budgeting policies. While they have not seriously limited the local tax burden, they have limited the discretion of locally elected representatives to choose the expenditure program best suited to the needs of their community, and in some cases they may have been responsible for the creation of otherwise unnecessary special districts which are not within the conventional tax rate limitations.

Table 32

MAXIMUM TAX LEVY MILLAGE PERMISSIBLE AND UNUSED MILLAGE FOR PURPOSES LEVIED BY COUNTY AND MUNICIPALITY 1953

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Beaver County	$ 4,830	$ 6,310	30.7%	15.2	21.25	8.0	10.0	7	9	3.4	3.85
Beaver City	462	752	62.8	37.0	46.75	18.5	20.8	7	7	3.0	3.7
Milford	796	1,164	46.2	37.0	46.75	10.0	23.5	2	9	—	10.75
Minersville T	70	157	124.3	11.0	22.75	8.0	17.0	2	3	1.0	—
Box Elder County	31,764	37,466	18.0	14.5	15.75	4.55	6.2	5	6	5.95	2.96
Bear River City T	153	276	80.4	11.0	20.75	4.0	6.0	1	2	—	2.0
Brigham City 3rd	2,574	4,707	82.9	37.0	46.75	1.0	14.0	2	5	0.25	2.0
Corinne 3rd	193	328	65.8	37.0	46.75	12.0	18.0	4	6	5.0	3.0
Deweyville T	395	368	—6.8	11.0	20.75	4.0	7.0	1	1	—	—
Elwood T	159	485	205.0	11.0	20.75	4.0	12.0	1	3	—	—
Fielding T	82	114	39.0	11.0	20.75	4.0	8.0	1	2	—	—
Garland	353	526	49.0	37.0	46.75	20.5	19.0	8	8	9.0	12.5
Honeyville T	673	831	24.0	11.0	20.75	8.0	8.0	3	2	4.2	—
Mantua T	93	157	68.8	11.0	20.75	8.0	2.0	2	1	—	2.0
Perry T	388	576	48.5	11.0	20.75	8.0	14.0	2	3	—	—
Plymouth T	35	65	85.7	11.0	20.75	12.0	12.0	2	2	—	—
Portage T	92	113	22.8	11.0	20.75	8.0	4.0	2	1	—	—
Snowville T	38	106	163.2	11.0	20.75	3.5	8.75	1	3	0.5	—
Tremonton	692	1,677	142.3	37.0	46.75	18.0	19.0	6	8	4.0	13.5
Willard	428	464	8.4	37.0	46.75	8.0	16.0	2	5	2.0	7.0
Yost T	52	89	171.1	11.0	20.75	4.0	2.0	1	1	—	2.0
Bothwell T	290	415	43.1	11.0	20.75	0.0	2.0	0	1	—	2.0
Howell T		448			20.75		4.0		1		—
Cache County	23,420	29,992	28.1	14.5	15.75	9.15[4]	9.8	11	9	4.05	2.27
Amalga T	193	497	157.5	11.0	20.75	6.0	5.0	2	2	2.0	1.0
Clarkston T	143	201	40.6	11.0	20.75	10.0	16.0	2	3	—	—
Cornish T	393	393	—	11.0	20.75	2.0	10.0	1	2	—	2.0
Hyde Park T	228	289	26.8	11.0	20.75	7.0	8.0	2	2	1.0	—
Hyrum	569	780	37.1	37.0	46.75	12.0	10.0	4	4	6.0	6.0
Lewiston	2,093	1,446	16.9	37.0	46.75	5.0	7.0	1	7	—	21.0
Logan City	5,891	9,209	56.3	21.5	21.5	12.0	16.5	4	6	5.0	7.5
Mendon	143	170	18.9	37.0	46.75	6.0	9.75	3	7	8.0	14.0

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Millville T	$ 126	$ 157	24.6	11.0	20.75	10.0	8.0	2	2	—	—
Newton T	148	230	55.4	11.0	20.75	13.0	17.0	2	3	—	—
Nibley T	91	43	57.1	11.0	20.75	21.5	15.0	3	3	—	—
North Logan T	178	300	76.5	11.0	20.75	12.0	10.0	3	3	3.0	1.0
Paradise T	102	147	44.1	11.0	20.75	18.0	12.0	2	3	1.0	1.0
Providence	309	428	38.5	37.0	46.75	12.0	14.0	4	4	8.0	6.0
Richmond	660	709	7.4	37.0	46.75	15.0	15.0	5	5	4.0	3.0
River Heights T	83	324	290.4	11.0	20.75	14.0	10.0	2	3	—	—
Smithfield	1,128	1,428	26.6	37.0	46.75	15.0	18.0	5	9	4.5	14.25
Trenton T	531	586	10.6	11.0	20.75	8.5	6.0	2	2	.5	2.0
Wellsville	518	604	16.6	37.0	46.75	17.0	17.0	5	5	6.0	6.0
Carbon County	18,071	28,466	57.5	14.5	19.85	9.25	7.9	8	6	3.0	1.9
Castle Gate T	623	679	9.0	11.0	20.75	4.0	3.0	1	1	—	1.0
Helper	1,590	2,101	32.1	37.0	46.75	17.0	13.0	3	4	4.0	1.0
Hiawatha T	936	936		11.0	20.75	4.0	4.0	1	1	—	—
Price	2,311	4,327	87.2	37.0	46.75	18.0	14.5	5	7	4.0	11.5
Scofield T	86	209	143.0	11.0	20.75	8.0	8.0	2	2	—	—
Sunnyside T/3rd	356	1,703	378.4	11.0	46.75	2.0	6.0	1	2	2.0	1.0
Wellington T/3rd	124	272	119.4	11.0	46.75	22.0	17.0	3	6	—	9.0
Daggett County	558	700	25.4	17.7	21.75	10.0	10.0	4	6	3.5	3.5
Davis	15,122	34,844	130.4	14.5	15.75	9.15	9.55[5]	6	7	5.1	0.2
Bountiful	1,257	4,408	250.7	37.0	46.75	14.0	18.0	5	9	11.5	10.5
Centerville T/3rd	389	894	129.8	11.0	46.75[6]	7.0	8.0	2	2	1.0	1.0[6]
Clearfield	1,058	2,561	142.1	37.0	46.75	6.5	15.5	2	6	4.0	6.0
Clinton T	452	634	40.9	11.0	20.75	2.0	4.0	1	1	2.0	—
East Layton T	76	166	118.4	11.0	20.75	7.0	3.0	2	1	—	1.0
Farmington	661	895	35.4	37.0	46.75	9.0	12.0	4	3	6.0	—
Fruit Heights T	68	145	113.2	11.0	20.75	5.0	6.0	2	2	—	2.0
Kaysville	744	1,538	106.7	37.0	46.75	10.5	12.0	5	6	6.5	7.0
Layton T/3rd	1,163	2,360	102.9	11.0	46.75[6]	6.5	12.0	2	3	1.5	1.0[6]
South Weber T	143	262	83.2	11.0	20.75	6.0	6.0	2	2	—	—
Syracuse T/3rd	550	883	60.5	11.0	46.75	3.0	8.0	1	6	1.0	13.75
Sunset T/3rd	311	702	125.7	11.0	46.75	8.0	15.0	3	6	4.0	8.5
West Point T	161	309	91.9	11.0	20.75	4.0	0.0	1	0	—	—

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Woods Cross T	$ 81	$ 148	82.7	11.0	20.75	8.0	4.0	2	1	3.0	—
Laytona T		405			20.75		12.0		3		
North Salt Lake T		1,613			20.75		8.5		3		3.5
West Bountiful T		2,022			20.75		4.0		2		4.0
Duchesne County	3,052	8,609	182.1	16.4	19.85	15.85	10.95	6	9	1.75	3.05
Duchesne City	207	389	87.9	37.0	46.75	19.0	26.0	4	8	8.1	10.5
Myton 3rd	48	128	166.7	37.0	46.75	25.0	29.0	6	9	6.5	13.5
Roosevelt	449	1,367	204.5	37.0	46.75	24.0	30.0	9	10	10.0	6.5
Tabiona T	16	45	181.3	11.0	20.75	8.0	8.0	2	2	—	—
Emery County	4,690	9,390	100.2	15.2	19.85	11.65	9.5	7	10	—	6.6
Castle Dale	159	269	69.2	37.0	46.75	15.0	18.0	3	7	5.0	12.5
Cleveland T	42	77	83.3	11.0	20.75	4.0	4.0	1	1	—	—
Elmo T	18	34	88.9	11.0	20.75	4.0	4.0	1	1	—	—
Emery T	73	143	104.3	11.0	20.75	17.0	19.0	2	3	—	2.0
Ferron T	92	187	103.3	11.0	20.75	4.0	10.0	1	3	—	2.0
Green River	286	425	51.8	37.0	46.75	22.0	21.75	4	7	1.5	0.5
Huntington	125	297	137.6	37.0	46.75	19.0	22.0	4	6	4.75	7.5
Orangeville	91	175	92.3	37.0	46.75	14.0	18.0	4	7	2.0	8.5
Garfield County	1,785	3,135	75.6	17.7	21.75	14.75	10.75	5	7	2.0	6.25
Antimony T	68	128	88.2	11.0	20.75	6.0	6.0	2	3	2.0	3.0
Cannonville T	17	31	82.4	11.0	20.75	8.0	12.0	2	3	—	—
Escalante	115	259	125.2	37.0	46.75	20.0	17.0	2	3	1.0	—
Hatch T	20	64	220.0	11.0	20.75	8.0	8.0	2	2	—	—
Henrieville T	16	35	118.8	11.0	20.75	8.0	9.0	2	4	—	4.0
Panguitch	270	693	156.7	37.0	46.75	20.0	20.0	6	10	6.5	14.0
Tropic T	49	98	100.0	11.0	20.75	15.0	8.0	3	2	—	—
Grand County	3,411	5,427	59.1	16.4	21.25	10.8[7]	13.10	9	9	0.7	4.5
Moab	291	646	122.0	37.0	46.75	14.0	19.0	5	5	6.5	4.0
Iron County	8,862	39,620	347.1	14.6	15.75	7.0	7.05	7	7	4.9	3.3
Cedar City	2,122	4,750	123.8	37.0	46.75	21.0	26.3	5	10	3.0	7.18
Kanarraville T	35	75	114.3	11.0	20.75	4.0	8.0	1	2	—	—
Paragonah T	53	112	124.0	11.0	20.75	16.0	11.0	2	2	—	—
Parowan	279	611	119.0	37.0	46.75	22.0	21.0	6	6	2.5	5.0

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Juab County	$ 7,684	$ 9,285	20.8	14.6	19.85	9.5	11.7	7	9	4.1	4.5
Eureka City	583	670	14.9	37.0	46.75	18.0	25.0	6	7	5.0	1.5
Levan T	108	156	44.4	11.0	20.75	15.0	19.0	2	3	—	—
Mona T	105	132	25.7	11.0	20.75	12.0	15.0	3	3	—	—
Nephi	1,130	1,775	57.1	37.0	46.75	8.5	20.5	3	9	2.5	10.5
Kane County	1,421	2,402	69.0	17.7	21.75	7.5	11.5	3	5	4.0	1.0
Alton T	26	43	65.4	11.0	20.75	4.0	4.0	1	1	—	—
Glendale T	44	72	63.6	11.0	20.75	4.0	8.0	1	2	—	—
Kanab	382	814	110.5	37.0	46.75	22.8	18.5	5	7	3.5	9.5
Orderville T	82	157	91.5	11.0	20.75	5.0	9.0	2	3	—	—
Millard County	8,733	14,524	66.3	14.6	19.85	7.35	8.3	5	7	3.7	3.1
Delta	461	1,018	120.8	37.0	46.75	20.0	18.5	6	6	6.0	2.5
Fillmore	458	1,054	130.1	37.0	46.75	12.0	14.0	6	6	11.0	9.0
Hinckley T	106	226	113.2	11.0	20.75	8.8	8.0	2	2	—	—
Holden T	84	190	126.2	11.0	20.75	7.0	8.0	2	2	1.0	—
Kanosh T	105	263	150.5	11.0	20.75	8.0	8.0	2	2	—	—
Leamington T	89	127	42.7	11.0	20.75	8.0	8.0	2	3	—	0.75
Meadow T	64	136	12.5	11.0	20.75	12.0	12.0	3	3	1.0	—
Oak City T	35	118	237.1	11.0	20.75	12.0	8.0	3	2	—	—
Scipio T	98	175	78.6	11.0	20.75	9.0	5.0	3	2	2.0	5.0
Lynndyl T		212			20.75		5.0		2		3.0
Morgan County	5,444	7,278	33.7	15.2	19.85	9.5	12.55	7	11	3.0	5.30
Morgan City	691	932	34.9	37.0	46.75	8.0	14.75	3	7	4.0	12.0
Piute County	1,365	1,978	44.9	17.7	21.75	13.8	10.5	5	6	1.0	2.0
Circleville T	243	455	89.6	11.0	20.75	12.0	8.0	1	2	—	—
Junction T	113	162	43.4	11.0	20.75	10.0	1.0	2	1	2.0	3.0
Marysvale T	201	262	30.3	11.0	20.75	14.0	12.0	2	3	—	0.75
Kingston T		97		11.0	20.75	—	2.0	0	1	—	2.0
Rich County	2,255	2,972	31.8	16.4	21.75	6.25[8]	8.0	3	2	3.75	1.0
Garden City T	39	53	35.9	11.0	20.75	4.0	4.0	1	1	—	—
Pickleville T	19	32	68.4	11.0	20.75	15.0	0.0	2	2	—	—
Randolph T	110	165	50.0	11.0	20.75	21.0	8.0	2	2	—	—
Woodruff T	28	50	78.6	11.0	20.75	4.0	4.0	1	1	—	—
Laketown T		79			20.75		8.0		2		

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Salt Lake County	$246,273	$512,496	108.1	10.73[9]	16.25	7.2	9.7	7	10	1.31	1.75
Bingham Canyon	2,019	2,241	11.0	37.0	46.75	15.0	15.0	4	6	5.0	9.0
Midvale	3,561	5,417	52.2	37.0	46.75	11.5	18.0	6	9	16.0	15.5
Murray	4,055	7,851	93.6	21.5	21.5	11.0	13.0	5	7	7.0	9.0
Salt Lake City 1st	132,111	220,583	67.0	18.5	18.5	15.4[10]	18.5	10	9	3.1[11]	—[11]
Sandy	478	1,134	137.2	37.0	46.75	17.0	18.0	5	6	6.5	5.0
South Salt Lake	2,265	6,520	188.5	37.0	46.75	17.0	17.0	2	7	1.0	11.75
Riverton 3rd		1,357			46.75		3.0		1		2.0
South Jordan 3rd		896			46.75		4.0		1		1.0
West Jordan 3rd		2,342			46.75		4.0		1		1.0
San Juan County	1,307	3,389	159.3	17.7	21.75	14.25	14.8	8	9	3.4	3.2
Blanding	146	395	170.5	37.0	46.75	12.0	15.0	2	6	1.0	5.0
Monticello T/3rd	94	383	307.4	11.0	46.75	8.0	16.5	2	5	—	1.5
Sanpete County	8,569	12,959	51.2	14.6	19.85	13.5	7.7	7	6	0.7	2.65
Centerfield T	102	208	103.9	11.0	20.75	12.0	12.0	3	3	2.5	3.0
Ephraim	567	915	61.4	37.0	46.75	12.5	13.0	8	4	15.5[12]	3.0
Fairview	269	426	58.4	37.0	46.75	17.0	17.0	4	8	0.5[12]	14.5
Fountain Green	205	285	39.0	37.0	46.75	17.0	20.0	7	7	5.5[12]	8.5
Gunnison	314	823	161.1	37.0	46.75	20.0	20.0	6	7	7.5[12]	9.5
Manti	614	1,128	84.9	37.0	46.75	13.0	18.0	6	7	10.5[12]	5.5
Mayfield T	67	127	89.6	11.0	20.75	8.0	8.0	2	3	—	5.0
Moroni	233	385	65.2	37.0	46.75	16.0	25.0	6	10	8.5[12]	16.5
Mount Pleasant	549	905	64.8	37.0	46.75	16.0	17.0	5	5	2.0[12]	1.0
Spring City	145	238	64.1	37.0	46.75	18.0	14.0	3	3	2.5[12]	3.0
Sterling T	27	64	137.0	11.0	20.75	5.0	11.5	2	3	3.0	0.5
Wales T	29	54	86.2	11.0	20.75	12.0	18.0	2	3	—	—
Fayette T		60			20.75		10.0		3		3.0
Sevier County	7,862	12,716	61.7	14.6	19.85	7.8	5.4	5	6	2.6	7.8
Annabella T	56	89	58.7	11.0	20.75	8.0	12.0	2	3	—	—
Aurora T	194	264	36.1	11.0	20.75	6.5	10.0	2	5	1.5	4.75
Elsinore T	171	237	39.4	11.0	20.75	17.0	18.0	2	4	—	—
Glenwood T	84	113	34.5	11.0	20.75	7.0	18.0	2	3	1.0	—
Joseph T	52	69	32.7	11.0	20.75	20.0	8.75	3	3	—	—
Koosharem T	48	78	95.0	11.0	20.75	21.00	21.0	2	2	—	—
Monroe	323	515	59.4	37.0	46.75	16.5	20.0	6	7	7.5	6.0

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Redmond T	$ 113	$ 185	61.9	11.0	20.75	8.0	15.0	2	4	—	3.0
Richfield	1,496	2,940	96.5	37.0	46.75	20.0	19.5	8	8	7.5	9.5
Salina	581	1,030	77.3	37.0	46.75	19.0	20.0	8	7	9.5	4.5
Sigurd T	125	618	394.4	11.0	20.75	15.0	18.0	3	3	2.0	2.0
Summit County	13,227	13,080	—1.1	14.5	19.85	7.65	9.25	6	8	3.35	6.0
Coalville	472	595	26.1	37.0	46.75	13.5	19.5	5	5	9.0	1.0
Francis T	62	120	93.5	11.0	20.75	8.0	4.0	2	1	—	—
Henefer T	195	250	28.2	11.0	20.75	10.0	8.0	2	2	1.5	—
Kamas T	141	278	97.2	11.0	20.75	15.0	14.0	3	3	—	—
Oakley T	87	160	84.0	11.0	20.75	5.0	4.0	2	1	3.0	—
Park City	902	762	—15.5	37.0	46.75	24.0	31.5	4	11	2.0	5.0
Tooele County	14,048	19,857	41.4	14.5	19.85	5.6	9.5	7	8	6.8	8.2
Grantsville	340	819	140.9	37.0	46.75	11.0	23.0	5	8	7.5	7.5
Onaqui T	126	253	.8	11.0	20.75	8.0	8.0	2	2	—	—
Ophir T	494	36	—72.5	11.0	20.75	8.0	8.0	2	2	—	—
Stockton T	125	181	44.8	11.0	20.75	4.0	12.0	1	3	—	—
Tooele City	1,618	4,131	155.0	37.0	46.75	18.8	25.0	9	9	9.1	7.3
Wendover T		188			20.75		4.0		1		
Uintah County	4,476	12,908	188.4	15.2	19.85	12.85	9.1	8	10	2.6	8.05
Maeser T	88	273	210.2	11.0	20.75	6.0	8.0	2	2	2.0	—
Vernal	864	2,739	217.0	37.0	46.75	17.0	20.0	4	8	4.0	4.5
Utah County	42,313	100,541	137.6	14.5	15.25	8.21	7.15	8	10	3.89	4.46
Alpine City	141	304	115.6	37.0	46.75	15.5	15.0	6	6	6.5	9.5
American Fork	1,353	3,442	154.4	37.0	46.75	17.0	22.0	8	8	14.5	6.25
Genola T	276	537	94.6	11.0	20.75	8.0	9.0	2	3	—	1.0
Goshen T	148	214	44.6	11.0	20.75	8.0	14.0	2	3	—	—
Lehi	921	1,735	88.4	37.0	46.75	22.25[13]	20.5	9	9	13.5	12.5
Lindon T/3rd	320	573	79.1	11.0	46.75	10.0	20.0	3	5	4.0	3.0
Mapleton	519	869	67.4	37.0	46.75	10.0	15.5	3	5	2.0	5.5
Orem	1,164	5,843	402.0	37.0	46.75	13.0[14]	19.55	3	9	1.0	9.2
Payson	1,107	2,149	94.1	37.0	46.75	19.5	24.25	5	6	6.5	2.75
Pleasant Grove	711	1,933	171.9	37.0	46.75	19.0	24.0	6	8	2.5	4.5
Provo City 20,000/2nd 2nd /20,000	8,868	18,603	109.8	21.5[11]	37.25	18.0[15]	23.0	13	11	4.0[11]	5.75

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Salem	$ 183	$ 298	62.8	37.0	46.75	12.0	18.0	6	8	9.5	10.5
Santaquin	199	382	92.0	37.0	46.75	19.5	21.0	6	8	1.5	10.5
Spanish Fork	1,263	3,194	152.9	37.0	46.75	19.0	22.0	5	8	4.0	10.0
Springville	1,778	3,751	111.0	37.0	46.75	18.0	26.0	7	2	8.0	5.0
Wasatch County	4,049	6,905	70.5	15.2	21.25	9.9	9.7	8	10	4.0	8.05
Charleston T	107	118	10.3	11.0	20.75	6.0	6.0	2	2	2.0	2.0
Heber	746	1,769	137.1	37.0	46.75	14.5	15.0	4	5	1.0	4.0
Midway	172	348	102.3	37.0	46.75	8.0	8.0	2	4	1.0	3.75
Soldier Summit T	197	230	16.8	11.0	20.75	8.0	12.0	2	3	—	—
Wallsburg T	30	56	86.7	11.0	20.75	8.0	12.0	2	3	—	—
Washington County	3,766	7,458	98.0	16.4	19.85	13.2	14.0	8	9	1.0	3.65
Enterprise T	76	243	219.7	11.0	20.75	15.0	18.0	2	2	—	—
Hurricane	257	587	128.4	37.0	46.75	14.0	21.5	3	7	4.0	4.5
Ivins T	13	29	123.1	11.0	20.75	8.0	25.0	2	3	—	—
LaVerkin T	136	280	105.9	11.0	20.75	10.0	17.0	2	3	2.0	1.0
New Harmony T	20	42	110.0	11.0	20.75	4.0	4.0	1	1	—	—
St. George	1,141	2,825	147.6	37.0	46.75	17.5	22.0	5	8	3.0	9.0
Santa Clara T	101	190	88.1	11.0	20.75	4.0	10.0	2	3	4.0	2.0
Toquerville T	65	113	73.8	11.0	20.75	10.0	8.0	2	3	2.0	2.0
Virgin T	12	29	141.7	11.0	20.75	8.0	8.0	22	2	—	—
Washington City	81	174	114.8	37.0	46.75	12.0	13.0	3	3	2.0	1.0
Central T		48		11.0	20.75	0.0	4.0		1		—
Hurricane Sec. Lands[16]		190					4.0		1		—
Leeds T		82			20.75		4.0		1		—
Wayne County	888	1,574	77.3	17.7	21.75	13.85	10.6	8	7	2.0	0.9
Bicknell T	39	125	220.5	11.0	20.75	4.0	13.0	1	3	—	—
Loa T	60	205	241.7	11.0	20.75	4.0	4.75	1	2	—	—
Torrey T	23	41	78.3	11.0	20.75	4.0	4.0	1	1	—	—
Weber County	48,509	78,913	62.7	14.3	15.75	9.4[17]	8.9	7	9	4.55	2.7
Huntsville T	169	237	40.2	11.0	20.75	11.0	12.0	2	3	—	3.0
North Ogden T/3rd	247	719	191.1	11.0	46.75	7.0	11.0	2	9	1.0	20.0
Ogden City	32,256	54,697	69.6	32.0	37.25	13.5	18.5	11	10	15.34	14.924
Roy	774	2,627	329.4	37.0	46.75	7.0	11.0	2	4	1.0	5.0
South Ogden	384	2,275	492.4	37.0	46.75	12.0	17.0	2	6	1.0	5.0

Table 32 (Cont'd.)

	Assessed Valuation			Permissible Levy[1]		Actual Levy[2]		No. of Purposes Levied		Unused Millage[3]	
	1940	1953	% Inc.	1940	1953	1940	1953	1940	1953	1940	1953
	(000)										
Uintah T	$ 320	$ 313	97.8	11.0	20.75	8.0	6.5	2	3	3.6	6.5
Plain City	479	479			46.75		3.0		1		2.0
Pleasant View T		579			20.75		4.0		1		—
Riverdale		1,240			46.75		11.0		3		1.0

[1]Excludes debt and other "non-ceiling" items.
[2]Not pyramided—only for taxing authority shown opposite. Includes debt, etc.
[3]For purposes for which actually levied. Excludes debt, etc.
[4]0.6 levied for "Fire Department Maintenance." Authority not disclosed.
[5]Includes 0.25 mills for "Echo Water." Authority not disclosed.
[6]Actually levied at town rates but qualified for city ceilings.
[7]Levied 1.0 mill, special levy for hospital.
[8]Includes 1.5 for "emergency building."
[9]Public welfare reached percentage limit instead of mill ceiling.
[10]Includes 0.2 mills each for metropolitan water district and mosquito abatement district.
[11]Overall ceiling applies.
[12]An example of need for interpretation. In general, those with low excess have taken ceiling, or nearly so, on a low number of purposes. Those with high excess have made nominal levies on a number of purposes.
[13]Includes 0.25 for metropolitan water district.
[14]Includes 1.0 for metropolitan water district.
[15]Includes 5.0 for metropolitan water district.
[16]Lands disconnected from city after indebtedness incurred.
[17]Went 0.15 over ceiling on exhibitions. Also had 2.8 for "emergency building."
T/3rd indicates change from town to 3rd class city status between 1940 and 1953. Provo City changed in 2nd class status from "under 20,000" to "over 20,000."
T indicates town status.

Chapter V

NATURAL RESOURCES

A recent report of the Governor's Commission on State and Local Finance in the state of West Virginia, referred to the severance tax in these words:

> "The difference, however, between a production tax and a severance tax is none too clear. It seems that the most that can be said to distinguish these levies is this:
>
> "A production tax is a revenue measure like any other tax measure. A severance tax reaches beyond revenue and seeks compensation to the state for depleting a public asset.
>
> "The theory has long been advanced that the development of a natural resource deprives a state of an asset which has a value as a raw material in excess of the capital and labor required to develop it. The removal of this asset 'depletes' the wealth of the state of part of its 'natural heritage,' and compensation is justified above and beyond taxes derived for the support of government."

Whatever may be the justice in this point of view, it has been acted upon by almost every state that has substantial assets in natural resources. There are twenty-four such states, and while they differ as to the potential resources to be taxed, the relationship to other levies, and in relative fiscal importance, "compensation" as well as "taxation" enters into the rate and base structure.

Broadly speaking, a severance tax is computed in one of three ways, or a combination of them: 1) *value* of production—measured in terms of gross or net; 2) *volume* of production—measured in terms of tons, barrels, cubic feet, board feet, etc.; and 3) a flat annual rate. For example:

> For the purposes of the severance tax coal is most often measured in either tons mined or upon the value of the severed coal. Iron ore producing states generally apply the severance tax upon either tons extracted or upon the gross value of the ore.
>
> Of 26 states producing oil and gas, 13 levy a severance tax on oil and 11 on gas. The usual base is value; but in some cases this may shift to volume, if the value drops below a specified amount.

In addition, the income of extractive industries is taxable under corporate net income taxes, where such taxes exist; and in most states, extractive industries (except in Mississippi and Louisiana) are subject to the general property tax. The ad valorem taxation of mining property is a most difficult matter to determine; but it is reached either by complicated formulas to compute the present value of anticipated annual profits, plus the assessed value of plant and equipment;

or by relating proceeds to value, and producing a modified ad valorem base. For example:

> Arizona taxes its mining properties as property according to the "Hoskold" formula; a severance tax or gross sales tax of 1 per cent; and an income tax allowing a depletion deduction on a cost basis only.
>
> Colorado taxes its mining properties as property and income only. Property is measured by 1/6 of gross proceeds or 100 per cent of net proceeds, whichever is the greater, income at 5 per cent, with a 40 per cent depletion for metal mines, but not to exceed 1/2 of net income.
>
> New Mexico taxes its mining properties on property at appraised values or on net proceeds (100 per cent preceding year or 5 year average); a severance tax on gross value "at its first marketable point" (from 1/8 per cent to 2½ per cent); a "sales and privilege tax" based upon gross receipts (net smelter returns for metal mines) at 5 per cent.

The Utah mining tax follows the general practice, and reaches property, severance and income. The *value* of the mine is assessed separately from the value of the surface plant. It is determined by doubling the net proceeds for an average of the three preceding years. All *mining claims* are valued at $5 an acre. The *plant surface* is assessed at 40 per cent of "reasonable fair cash value" as of 1940. The sum of these three items is the "assessed" valuation of the property, to which the various state and local tax rates are applied to determine the levy.

The "severance" tax (mine occupation tax) was enacted in 1937, to divert part of the mine taxes into the state general fund—but that did not make it a property tax. At that time, mine valuation for determining the property tax was 3 x the net proceeds. This was reduced to the multiple of 2, and a 1 per cent tax on proceeds from the gross sales of ore or metal was added, with an exemption of $20,000, which was increased to $50,000 in 1947. The corporate net income tax (the corporation franchise tax) applies at a uniform rate of 3 per cent. Net profit is determined by the usual deductions from gross income with depletion measured by 33⅓ per cent of net.

There are two main questions of policy that arise in considering the Utah mining taxes, particularly as they apply to non-ferrous metals:

> 1. The relation of the 40% standard of valuation of property generally to net proceeds valuation;
>
> 2. The total impact of mine taxation in Utah, including net proceeds, as compared with the tax burden upon comparable industry in other states.

Assessment of Mining Properties

The basic problem in the taxation of mining properties is to arrive at an equitable current measure of the value of the ore in the ground. While the unmined reserve has a value, of course, the process of val-

uation is unlike that applied to real and personal property generally. This is due to the need, in the case of a mine, of determining present value of material that may not be mined until 20 years hence and to be produced under future market conditions, prices and expenses which must be estimated.

The best of the methods of accomplishing such a valuation, known as the "Hoskold" method, requires a mining engineer to project the future life of the mine as an economical producer. This method uses a formula to compute the present worth of anticipated annual profits over the estimated life of the mine, as follows:

Est. reserve—1,000,000 tons
Est. future production—100,000 tons a year
Est. life of reserves—10 years
Est. profits—$1.00 per ton
Present worth factor—6% interest and 6% sinking fund = 7.36 (present value of annuity of $1.00 per year for ten years which will allow redemption of capital at 6%) with interest to investor at 6%. 100,000 tons x $1.00 x 7.36 = $736,000 or value of the mine.

It is apparent that this method of valuation involves a number of possible errors in estimating, which cannot be eliminated and lacks any certainty as to real value. As a result most of the states are tending to go over to the net proceeds method of valuation, similar to that used in Utah.[1] But it should be emphasized that *net proceeds is not a method of valuation—it is an acceptable substitute for valuation, as compared with the methods applied to other property.*

It is clear that there can be no analogy between net proceeds and ad valorem valuation. For this reason there need be no parallel reduction of net proceed value to the 40% basis applied to "reasonable fair cash value" of other property. It is important to note, moreover, that if the 40 per cent principle were extended to the net proceeds factor, the state property tax structure would be revolutionized. All mine property (including the 2 times net proceeds factor) was assessed (1953) at $248 million. This was about 24 per cent of the total state valuation ($1.0 billion). Of this sum, $193 million was assessed at 100 per cent on the basis of net proceeds. If this were reduced to 40 per cent, the base would, however, become $77 million; and property taxes charged against mine assessments would be reduced about 45 per cent—from $8.6 million to $4.7 million. At the same time the total assessed valuation of the state would have been depreciated 12 per cent (from $1.0 billion to $909 million). These drastic adjustments would have worked extreme hardships on many counties and school districts.

In some cases, the mine occupation tax has been reduced to the equivalent of a property tax, and the combined liabilities are pre-

[1]See Testimony of Arthur B. Parsons, Hearings, Special Subcommittee on Minerals, Materials, and Fuels Economics of the Committee on Interior and Insular Affairs, U. S. Senate Eighty-third Congress, First and Second Sessions, Pursuant to S. Res. 143 (Part 7, Tariffs and Taxes and Their Relationship to Critical Materials) p. 209 et. seq.

sented to demonstrate excessive tendencies. While a motivation for adoption of the mine occupation tax may have been to provide some mine tax revenues to the general fund, the tax was an *addition* to the property tax. It was, in fact, an invasion of the property tax, to strengthen general fund revenues; and is intended as a severance or depletion charge. Its adoption was coupled with a change in the net proceeds tax to avoid an undue increase in tax burden, but this did not change the character of the mine occupation tax. For comparative purposes it cannot be considered in the same category as a property tax. It would be equally justifiable for any corporation to reduce its corporate franchise tax to a property base, and claim it was being treated unequally as compared to residential property.

While the merits of the present treatment may be argueable, the conclusion is:

> The 40 per cent ratio should not be extended to the net proceeds factor in mining assessments. There is no parallel between the assessment of non-mining properties, and the net proceeds measure of valuation of mining properties.

Comparative Impact of State and Local Taxes Upon Mines

The Utah economy rests heavily upon a mining enterprise foundation. Only in Wyoming and West Virginia is a greater proportion of the labor force employed in the extraction and treatment of natural resources. The Bureau of Economic and Business Research of the University of Utah in its effective publication, *Utah's Economic Pattern* stated this significance well:

> "So nearly as can be determined, for each person employed in non-ferrous mining and milling, an additional person is employed in the state in the production of goods used by the mine. Approximately three others will furnish services. That is a ratio of one to four jobs. It is this factor that tells in part the significance of the industry in the state's economy."[1]

In 1952 mining property, including that based upon net proceeds, made up over 1/5 of the total state assessed value, and 15½% of the state's 1952 assessed value was based upon the net proceeds equivalency of metalliferous mines alone. 16.2% of the entire revenue raised upon property in the state is derived from the property and net proceeds of mines and seven counties derive approximately 15% or more of their property taxes from the levy against mines; Iron County received nearly ½ of its property revenue from this same source.

The extraction and milling of copper ore makes up the larger part of Utah's mineral industry. Unlike some other minerals, deposits of copper bearing ore are located in a number of western states as well as in many other areas of the world. As a consequence, the extraction and sale of such ore is a competitive enterprise. Obviously,

[1]University of Utah, Bureau of Economic and Business Research and Natural Resources Committee of Utah Chamber of Commerce, *Utah's Economic Pattern* (Salt Lake City, December 1953), p. 39.

the relative and respective costs of such production, including taxation, will affect the industry's competitive position. The tax aspects may be developed by reference to a hypothetical mine with characteristics typical to the most important mining operations in Utah and the application of the tax system of comparable states to such a mine.

Property Tax

For the purpose of this study, we may assume that Mine X possesses the following characteristics:

1. The mine is typical of Utah non-ferrous metalliferous mines with copper production being approximately 80% of the total.

2. Taxable property and current values:

Mining claims	2892 acres
Plant surface (land)	$ 1,991,464
Supplies	13,507,472
Machinery	74,203,970
Improvements	65,738,370
Total	$155,441,276

3. Gross value of production of Mine X for 1953 totalled $193,616,133

Copper	$157,418,659
Gold	15,617,894
Silver	3,153,202
Molybdenite	16,461,257
Miscellaneous	965,121

4. Net income before depletion allowance = $54,196,200 (after federal income and excess profits taxes).

Using this basic data the tax liability of the same mine has been computed for Arizona, Colorado, Idaho, Montana, New Mexico, and Utah—states of substantial copper production.

Property Tax: Four of the states, in addition to Utah, utilize net proceeds in arriving at the assessed value of the mine. In this state, various deductions from gross proceeds of $193.6 million are used in arriving at net proceeds. The total deductions granted varied from a high of $83 million from this gross in Utah to a low of $45 million from a "gross proceeds" of $167.8 million in Montana.

State	Gross Proceeds (000)	Deductions (000)	Net Proceeds (1954)
Utah	$193,600	$83,366	$110,250,301
Colorado	167,900	51,619	115,249,907
Idaho	167,900	47,141	120,748,576
Montana	167,900	46,496	121,393,802
New Mexico	166,900	45,370	121,498,770

Table 33

PROPERTY TAX UPON A SAMPLE COPPER MINE IN 6 SELECTED STATES, 1953

	Values 1940	Values Current	Utah[1]	New Mexico	Arizona	Montana	Idaho	Colorado
Mining Claims			$ 14,458					
Plant Surface (land)	$ 995,732	$ 1,991,464	349,503	$ 995,732		$ 597,439	$ 663,821	$ 597,439
Supplies	6,753,736	13,507,472	2,361,446	6,753,736		4,052,242	4,502,491	4,052,242
Machinery	37,101,985	74,203,970	12,972,722	37,101,985		22,261,191	24,734,657	22,261,191
Improvements	32,869,185	65,738,370	11,492,718	32,868,185		19,721,511	21,912,790	19,721,511
Net Proceeds Assessment			185,158,632	88,051,954		121,393,802	120,748,576	115,249,907
Total Assessed Value			212,349,479	165,771,592	125,000,000[2]	168,026,190	172,562,335	161,882,290
Est. Ratio of Assessment[4]			(35%) 1940	(50%)	(45%)	(30%)	(33⅓%)	(30%)
Typical Millage			35	20	27	65	45	36
Property Tax—Mine X			7,432,271	3,315,432	3,375,000	10,921,702	7,765,306	5,826,969
								+161,882[3]
								5,988,851

[1]At statute 40 per cent.
[2]Theoretically, valuation computed by Hoskold formula—in fact, by "negotiation."
[3]Colorado mines required to pay additional property tax of 1/10 of 1% of assessed valuation.
[4]Applicable only to surface plant and improvements, machinery and supplies.

The total property tax also varied depending upon the assessment ratio (in assessing plant surface, equipment, etc.) and the typical tax rate of the mining district. The results for all six states varied widely, as shown in Table 33. The method of valuation "by negotiation" which now prevails in Arizona presents a special problem. The estimate of property tax in that state is the best available, but it must be considered as less certain than the others due to the manner in which mine assessments are made in that state.

Net proceeds without adjustment is the factor used in arriving at mine valuation in only 2 states, Montana and Idaho. In New Mexico, the figure used for assessment purposes is the average of net proceeds for the preceding 5 years; in Colorado, the greater of either ¼ of gross proceeds or 100% of net; and in Utah, 2 times the average net proceeds of the preceding three years. Consequently, net proceeds for the purposes of assessment differs from the net proceeds of any one year. The comparative position of the five states using a net proceeds formula of valuation is as follows:

State	Net Proceeds Valuation
Utah	$185,158,632
Montana	121,393,802
Idaho	120,748,576
Colorado	115,249,907
New Mexico	88,051,954

The assessment of the surface plant, machinery and improvements depends upon the different ratios of assessed to true value in each state. For example, Utah mining property is conventionally assessed at approximately 35% of fair cash value at 1940 values. The same mining property if located in New Mexico would most likely be assessed at 50% of current values or if located in Colorado, at 30% of pre-war values. Table 33 indicates the practical rather than the statutory basis and ratios of assessment.

As already noted, Arizona is somewhat atypical. Theoretically, the valuation of the mine is arrived at by the Hoskold formula and to this is added the conventional assessment of the surface property at 45% of current values. In practice, however, it is reported that the value of the mine is arrived at by negotiation and is generally equal to ½ of the valuation produced by the Hoskold method. The resultant figure includes the value of the surface property. The total assessed value of the sample mine under the Arizona structure as shown in Table 33 was arrived at in this manner.

> This application of the six state tax structures to a typical copper mine reveals that total assessed value would vary from $212,349,479 in Utah to $125,000,000 in Arizona.

In order to ascertain the property tax to which Mine X would be subject in the six states, it is necessary to ascertain a typical millage for similar metal producing areas in the states under discussion. These rates are shown in Table 33 together with an extension of the approximate property tax that would be charged against Mine X in the six states in question. The results shown in the Table may be summarized as follows:

Table 34

SEVERANCE TAXES UPON A SAMPLE COPPER MINE, IN SIX SELECTED STATES 1953

State	Method of Computation	Amount
UTAH	1% gross proceeds—$50,000 exemption $167,889,815 - $50,000=$167,839,815 at 1%	$1,678,398
NEW MEXICO	1. sales value of severed and saved product at first marketable point=$166,868,425 2. subtract freight charges subsequent to severance ($2,181,585) and cost of processing and beneficiation ($17,722,772) and mill machinery for replacement $1,764,208 3. gross value of ore $21,668,565 minus above subtractions—$145,199,860 4. apply following rates to $145,199,860: ½ of 1% for copper and ⅛ of 1% for other metals 5. of gross value of metals ($145,199,860) $118,091,046 is from copper and $27,094,294 from other metals 6. ½ of 1% of $118,091,046=$590,455 ⅛ of 1% of $ 27,094,294= 33,868 7. severance tax $624,323 8. "Sales and privilege tax" (in effect, a severance tax) of ½ of 1% of $145,199,860= 725,998 Total severance tax	$1,350,321
ARIZONA	1% of gross sales value (gross proceeds) $167,889,815 + smelting charges which are taxable on a sale in Arizona ($26,663,395)=	$1,945,533
MONTANA	(metal mines license) gross value of recoverable metal $166,868,425—11% (to get Montana price)= $148,512,898; first $100,000 no tax; second $100,000 ¼ of 1%=$250; third $100,000 ½ of 1%=$500; fourth $100,000 ¾ of 1%=$750 over $500,000, 1%=$1,480,129	$1,481,629
IDAHO	(mine license tax) Deduct from gross proceeds same items permissible under income tax law—thus income $54,196,200—depletion of $25,183,472 =$29,012,728 X 3%=	$ 870,382
COLORADO	None	

Property Tax Charged Mine X in Six Selected States

State	Tax Charged
Montana	$10,921,702
Idaho	7,765,306
Utah	7,432,185
Colorado	5,988,851
Arizona	3,375,000
New Mexico	3,315,432

Severance Tax: Of the six states under consideration, only Colorado does not levy a severance type tax upon metalliferous mines. Among the remaining five states, in no case does the tax exceed 1% of gross proceeds and smelting costs (Table 34). In many states, not included in the survey, but which produce a significant amount of minerals (other than non-ferrous metalliferous) the severance tax is much higher and accounts for a much larger percentage of the total taxes paid by the mineral industries.

The object of the exemption in Utah and progressive rates observable in the Montana and New Mexico systems is intended to encourage exploration and development.

Income Tax: The net income before the depletion allowance of Mine X if located in Utah is assumed to be $54,196,200. Table 35 reveals the comparative depletion allowances and resultant income tax charged Mine X assuming that the respective state income tax structures were moved into Utah.

Basically, the income tax laws of the six states are similar. The deductions permitted in arriving at net income are generally the same. However, there are two factors which tend to vary the picture from state to state. The first factor—depletion—is unique to the natural resource industries. The tax deductions, referred to as depletion allowances are allowed in recognition of the wasting of depletable mineral assets and tend to be much more liberal than deductions for tax free recovery of capital in any other type of investment.

Depletion: With the exception of Arizona, which limits depletion to recovery of the cost of the mine, the states under consideration all utilize "percentage depletion." Percentage depletion is computed according to the income derived from the mineral property. Most often the allowable percentage deduction is the lesser of either a statutory percentage of the gross income or 50% of the net operating income. Some states have patterned their depletion laws upon the federal statutes with allowable depletion percentages of 27½% of gross income from oil and gas; 15% from metal mines and 5% on coal. In Utah the rate of depletion is 33% of net income. Percentage depletion as opposed to cost depletion as used in Arizona is advantageous to the mining industry in that it is not limited in its cumulative amount to any amortizable tax base. It may be deducted as long as the property yields net operating income even though the owner may have recovered many times over the amount of his original investment.

Table 35

DEPLETION ALLOWANCES AND INCOME TAX CHARGED A SAMPLE COPPER MINE IN SIX SELECTED STATES, 1953

State	Depletion Measure	Tax Rate			Tax Charged
ARIZONA	Cost depletion, cost amortization completely written off; thus no depletion allowed	1st	$1,000	1%	
		2nd	$1,000	2%	
		3rd	$1,000	2½%	
		4th	$1,000	3%	
		5th	$1,000	3½%	
		6th	$1,000	4½%	
		Over	$7,000	5%	$2,709,625
IDAHO	15% of the gross income (proceeds) but not to exceed 50% of net income	1st	$1,000	1½%	
		2nd	$1,000	3%	
		3rd	$1,000	4%	
		4th	$1,000	5%	
		5th	$1,000	6%	
		Over	$5,000	8%	$2,321,003
COLORADO	40% of gross income (proceeds) but not to exceed 50% of net income	Uniform 5%			$1,354,905
UTAH	33⅓% of net income (profit)	Uniform 3%			$1,083,924
MONTANA	15% of the gross income (proceeds) but not to exceed 50% of net income	Uniform 3%			$ 870,382
NEW MEXICO	15% of the gross income (proceeds) but not exceed 50% of net income	Uniform 2%			$ 541,962

Table 36

STATE AND LOCAL TAXES CHARGED A SAMPLE NON-FERROUS METALLIFEROUS MINE IN SIX SELECTED STATES

(Amounts in Millions of Dollars)

State	Property Tax Charged	% Total Tax Charged	Severance Tax Charged	% Total Tax Charged	Income Tax Charged[1]	% Total Tax Charged	Total Taxes Charged[2]	% Each State of Utah
Montana	$10.9	80.1%	$1.5	11.0%	$1.2	8.8%	$13.6	130.7%
Idaho	7.8	68.4	.9	7.9	2.7	23.7	11.4	109.6
Utah	7.4	71.2	1.7	16.3	1.3	12.5	10.4	100.0
Arizona	3.4[3]	39.5	1.9	22.1	3.3	38.3	8.6[3]	82.7
Colorado	6.0	78.9	None	—	1.6	21.1	7.6	73.1
New Mexico	3.3	61.1	1.4	25.9	.7	13.0	5.4	51.9

[1]This column is computed after deductions from net income before taxes, of federal income taxes, as allowed in all states listed. Since the federal excess profits tax had been repealed it has not been deducted from net income for state tax purposes.

[2]Totals may not add across due to rounding.

[3]The property tax charged in Arizona is based upon an estimated assessed valuation of ½ the amount produced by the Hoskold method. It appears that the assessment in this state is subject to negotiation and the estimate must be qualified accordingly although it is based upon the best available information concerning current procedure. If the full value produced by the Hoskold method were used the Arizona property tax charged would have increased to $6.8 million, and the total would have increased to $11.4 million dollars. It would place Arizona above Utah in the rank among the states. Since Colorado has relatively little copper production, this would place Utah in the lowest position among the major copper producing states.

The object of the depletion allowance has been, it is maintained, to stimulate extraction and to offset alleged extraordinary and unavoidable risks to capital invested in depletable assets. The non-ferrous metalliferous mines in the states under comparison are in large part old and established claims which, upon a cost basis, have long since written off the original investment. It would appear that the percentage depletion allowance is a special benefit to such mines which goes far beyond the treatment of other businesses.

Utah with a relatively low depletion allowance indicates partial recognition of this seeming economic inequity. Arizona with a statutory cost depletion has apparently accepted the theory of limiting compensation for the risks of exploration and discovery to a recovery of their cost.

Income Tax Rates: The other factor which goes to vary the impact of the income tax laws of the various states is, of course, the income tax rate. Table 35 reveals that the rate applied against net income of the mine varies from 2% in New Mexico to a high of 8% on income over $5,000 in Idaho. Table 35 indicates that Utah's income tax rate is relatively low, with only New Mexico enforcing a lower rate. Had the Utah tax structure permitted only cost depletion as in Arizona, the income tax of the mine would have increased from the indicated $1,083,924 to $1,625,886.

Total Tax Burden: The net result of the various differences in specific taxes is the point of major significance from the comparative

tax view. The notable fact in such a total view is the moderate position occupied by Utah, as shown in Table 36.

> The comparison of the tax burden upon a sample copper mine imposed in six Mountain States shows that Utah and Idaho are moderate in rank as compared with Colorado which was 73.1% of Utah, and Montana which was 130.7% of Utah (Table 36).

Oil and Gas Resources

No special tax is levied against the production of gas and oil in Utah. For the purposes of the property tax, such resources are appraised by the State Tax Commission. Whenever a discovery of commercial quantity of oil or gas has been made, the Tax Commission proportionately assesses the value to holders of interest in the lease. Qualitative and quantitative appraisals of this type of mineral are difficult to make, as the requisite information is frequently unavailable or impossible to obtain. Consequently, the oil and gas reserve is frequently valued upon the basis of the gross proceeds of the preceding year's production.

Utah oil production for 1953 was derived entirely from two counties, Duchesne and Uintah. It has been estimated that total 1953 production was 1,828,613 barrels, with an estimated market value of $4,225,502. The total recommended assessment for 1954, based in some cases upon 1953 production and in others upon engineering appraisal, is $2,822,177 or 67 per cent of the market value of production. If the respective county, school district and state school equalization rates for 1954 are applied to the recommended assessment, the tax would yield $6,314 for Duchesne County and $89,558 for Uintah —a total state yield from oil of $95,872 (Table 37).

The production of gas and oil in Utah is a comparatively recent undertaking. An inflexible assessment formula at the early stages of exploration and production might discourage the development of an economic asset. Cognizant of the indefinite nature of new oil fields, the Tax Commission has based its assessments upon either engineering appraisal or previous production, depending upon which method appeared most conducive and feasible in the given circumstance. It is to be expected that the discriminate application of either of the two methods will affect the ratio of assessed value of the oil field to market value of a year's production in the various fields.

For example, the Walker Hollow field in Uintah County produced in 1953, 2,849 barrels with a declared market value of $4,787. It was recommended that the oil field be assessed at $18,707, or 390 per cent of the value of a year's production. On the other hand, the Ashley Valley field produced in 1953, 1,008,333 barrels with a market value of $2,405,293. The recommended assessment of the oil field in this case was $1,177,369, or 49 per cent of the market value of the oil produced in 1953. The weighted average of the ratio of assessed value of oil properties to market value of 1953 production for all producing Utah fields was 67 per cent.

A varying impact of the property tax in relation to current production is also suggested by the differences in tax per barrel of oil.

Table 37

UTAH OIL PRODUCTION IN 1953 AND EQUIVALENT TAX PER BARREL

	Barrels of Oil	Mkt. Value 1953 Production	1954 Prelim. Assessment of Property	1953 Market Value Per Barrel	Ratio 1954 Assessment to 1953 Production Value	Est. Property Tax Charged 1953[1]	1954 Prop. Tax Equiv. Tax Per Bbl. 1953 Production
Duchesne County							
Flat Meadow	88,673	$ 185,436	$ 158,447	$2.09	85.4%	$ 6,314	7.0¢
Uintah County							
Roosevelt Field	292,148	562,174	533,000	1.92	95.0	19,721	6.7
Redwash	434,313	1,062,462	929,654	2.45	87.0	25,397	5.8
Walker Hollow	2,849	4,787	18,707	1.68	390.0	692	24.3
Chapeta	2,297	5,350	5,000	2.33	93.0	185	8.0
Ashley Valley	1,008,333	2,405,293	1,777,369	2.39	49.0	43,563	4.3
Total Uintah	1,739,940	$4,040,066	$2,663,730	$2.15	66.0%	$89,558	5.1¢
Total Utah	1,828,613	$4,225,502	$2,822,177	$2.31	67.0%	$95,872	5.2¢

[1]1953 Duchesne County Tax Rate = 10.95 (County purposes) 25.30 (school district) 3.60 (state school equalization) **Total** (outside of cities and towns) = 39.85.
1953 Uintah County Tax Rate = 9.10 (County purposes) 24.30 (school district) 3.60 (state school equalization) **Total** (outside of cities and towns) = 37.00.
The assessments and taxes charged are estimated from valuations recommended by the state mine appraiser-engineer. They are subject to modification by the State Tax Commission under established procedures.

The Utah average for 1953 was $.052. However, Walker Hollow paid $.023, Chapets $.080 and Ashley Valley $.052. As shown in Table 37, had Utah assessed the value of its oil entirely upon the basis of the market value of production, the tax yield (1953 rates) for Duchesne would have been $7,389 rather than $6,314, while that of Uintah would have been $149,482 rather than $89,558, and the total Utah property tax yield based upon annual production would have been $156,871 rather than $95,872, *but any such flat rule of assessment would not be warranted by present statutes.*

The taxation of oil and gas in Utah can best be viewed in comparison with other oil producing states (See Table 38). Had a similar volume and value of oil been produced in—

West Virginia: In 1952, the oil would have been subject to a severance tax of $.081 a barrel, in addition to the appraised ad valorem property tax. Taken alone, the West Virginia severance tax of $.081 per barrel is considerably greater than Utah's computed $.053 per barrel equivalent of the property tax. When both the property and severance tax are taken into consideration, the West Virginia tax per barrel is twice that of Utah.

New Mexico: The oil would be taxed approximately $244,000 or $.133 per barrel.

Wyoming: Like Utah, Wyoming does not subject oil and gas resources to any special tax. However, oil property in Wyoming is appraised upon the basis of production. Utah production taxed under Wyoming practice would yield in property tax alone $.102 per barrel—approximately double the Utah average yield of the property tax.

Colorado: Petroleum resources are subject to a conservation tax and a production tax, in addition to the property levy. Utah oil production, if taxed in Colorado, would yield approximately $234,000 or $138,257 more than in Utah.

Montana: In Montana, oil property and production is subjected to a conservation and a severance tax in addition to the production based property tax. The approximate tax yield on a like quantity of oil in Montana is estimated at $284,933 or $.155 per barrel—approximately treble that of Utah.

Louisiana: The severance tax is in lieu of a property tax upon oil. However, the severance rate averaging $.22 a barrel, if applied to Utah oil production, yield $402,294—more than four times the anticipated yield from the Utah property tax upon oil fields.

Mississippi: A severance tax is also applied in lieu of a property levy. If the Mississippi severance tax plus the conservation tax is applied to the equivalent of Utah's 1953 oil production, the resultant revenue would amount to $257,187 or $.141 per barrel.

Oklahoma: A severance tax of 5 per cent of the gross value is levied in lieu of the property tax. To this is added an excise tax of 1.25 mills per barrel. The Oklahoma tax upon a like quantity of oil would amount to $213,560 or $.117 per barrel.

Texas: This state levies both a severance and an administration tax upon oil production, in addition to ad valorem appraisal. The severance and administration taxes alone, if applied to Utah's 1953 oil production would have yielded $199,858, or $.114 per barrel.

Arizona: A property tax based upon an engineering appraisal plus a state occupation tax would be assessed in this state. If applied to Utah's oil production in 1953, the occupation tax alone would have been $42,255, or $.023 per barrel, plus an ad valorem property tax.

The tax per barrel in the eleven states reviewed varies from $.023 cents plus property tax in Arizona to $.22 in Louisiana. The average tax is $.114 per barrel, more than double the estimated Utah equivalent per barrel of the property tax. Among these states, production is the standard method of computing one or more of the taxes levied against this resource. If the value of oil in Utah for 1953 had been assessed solely upon the basis of production, a tax of approximately $.084 cents a barrel would have been assessed. Anticipated revenue would increase from $95,872 to $145,357.

Of the 11 oil producing states reviewed, only Utah and Wyoming apply only the property tax to the petroleum resources. However, the Wyoming yield per barrel based upon production is nearly twice that of Utah. It may be concluded—

> Utah oil and gas producers may fairly be required to assume a more equitable share of the tax burden.

A number of alternative methods are available to correct the inequity in the taxation of oil resources (Table 38).

1. The present ad valorem assessment procedure may be retained, with the addition of a severance tax of 1 per cent of the market value of production. The yield from this alternative would be approximately $138,127 or $.08 per barrel. This yield, although an increase of $42,255 (to the general fund) is still considerably below the average of the other oil producing states.

2. If, in the estimation of the Legislature, the oil industry is firmly established in Utah, the production method of calculating value would appear to be generally more equitable. If applied to 1953 production, the production based property tax would yield approximately $156,871, or $.086 per barrel, without any increment to the general fund.

3. The production based property tax may be added to a 1 per cent severance tax. The yield from this would be approximately $199,126 or $.109 per barrel, almost double

TABLE 38

ESTIMATED TAX UPON 1953 UTAH OIL PRODUCTION COMPARED TO EQUIVALENT PRODUCTION AND TAX IN 10 OTHER STATES

State	Property Tax	Occupation Tax	Severance	Conservation and or Administration	Excise Tax	Total Tax	Tax Per Barrel (in ¢)
Arizona	Engineering Approval	$ 42,255	$	$	$	$ 42,255	2.3 + ad valorem
West Virginia	Engineering Approval	148,315				148,315	8.1 + ad valorem
Wyoming	$166,484					166,484	10.2
Texas	Engineering Approval		194,373	5,485		199,858	10.9 + ad valorem
Oklahoma			211,275		2,285	213,560	11.7
Colorado	122,085		108,387	3,657		234,990	12.6
New Mexico	48,562	84,510	105,637	5,281		244,000	13.3
Mississippi			253,530	3,657		257,187	14.1
Montana	195,852		84,510	4,571		284,933	15.5
Louisiana			402,294			402,294	22.0
Utah	95,872					95,872	5.2
Present property method + 1% severance	95,872		42,255			148,127	8.1
Utah (based on prod.)	156,871					156,871	8.6
Utah based on production + 1% severance	156,871		42,255			199,126	10.9
Utah based on production + 2½% severance	156,871		105,638			262,509	14.3

NOTE: The income tax structure of the above states is substantially the same. The incidence of this tax was omitted in the analysis. It may be assumed that this will not significantly alter the relative comparisons.

the current estimated yield. The state general fund would receive $42,255 of the total (1954).

4. A 2½ per cent severance tax, similar to that used in New Mexico, in addition to the production based property tax, would yield approximately $262,509, or $.143 per barrel, of which $105,562 would accrue to the state general fund at 1953 rates of oil production (See Table 38).

5. Additional yield from natural gas has not been estimated.

Coal Resources

The method utilized in appraising coal deposits in Utah for property taxation is reasonably stable. A valuation schedule is used which divides coal bearing land into four classes—A, B, C and D.

Class A coal land is assessed at a sum equal to 4 cents per ton of estimated reserve. Class A land is defined as "land now operating on the railroad in 40 acre tracts." Those tracts will be considered as "operating" and in Class A which are penetrated by a component part of the workings of an operating mine on the same coal bed, regardless of whether actual production is now being made from the 40.

Class B coal land is valued at a rate of 2.25 cents per ton and is defined as the "land on railroad adjacent to mines now operating within two miles of coal outcrop and one mile on each side of 40 acre tracts being operated."

Class C coal land is valued at a rate of .5 cents per ton and is defined as "land adjacent to Class B but which lies from two to four miles from coal outcrop."

Class D coal lands are valued at a rate of .07 cents per ton and are defined as "all lands not included in Classes A, B, or C, except 40 acre tracts containing truck mines." (Forty acre tracts containing truck mines are appraised annually by the State Tax Commission.)

Exceptions to the above schedule are Summit County, Class A land which is to be appraised at 2.0 cents per ton, Class B at 1.19 cents and Class C at .5 cents per ton. Furthermore, the assessment shall apply only one mile back from the coal outcrop. Grand County will be valued according to the schedule except that Class A land shall be appraised at 2.0 cents per ton and Class B at 1.19 cents per ton. The remaining exception is that of Iron County which is to be valued at a "nominal rate per acre, and to be assessed only one mile back from the coal outcrop."

For the purposes of assessment, it is estimated that each acre of coal land contains 100 tons per acre, and is 60 per cent recoverable.

Coal producers are subject to neither net proceeds valuation nor the severance (occupation) tax. The economic state of the coal industry throughout the United States and in Utah, particularly, is such that consideration of increased taxation upon this enterprise at this time would not be economically sound.

Iron Resources

Utah possesses rich deposits of iron ore which are taxable in the same manner as other metalliferous mines already considered. For

both the net proceeds valuation and the mine occupation tax, all companies now compute the value, loaded on railroad cars at the mine, on the basis of average prices for the year at the mines in Minnesota, according to data furnished by the University of Minnesota in its annual directory of iron mines.

Uranium Resources

It is becoming more and more evident that the severance of uranium ore is reaching such proportions that its significance as a potential source of revenue will necessitate its assumption of an equitable share of the minerals tax burden. Where uranium claims are patented, they are valued at $5.00 per acre plus net proceeds, as in the case of other metalliferous mines.

Nearly all uranium mining claims are unpatented, however, with the result that no property assessment could be made. Nor has any assessment of net proceeds valuation been made for the same reason. Thus, considerable revenue is lost to the state.

In general, unpatented lands are not assessed. The reason for this appears to be that although the locator has a definite equity as long as he complies with the law, he does not have any title. The title is still in the United States Government. As a matter of law, it would seem that the equity of a locator would be taxable, but there are some practical difficulties in doing this. The amount of work involved is substantial in checking to ascertain if the locator's equity is valid; and there might be no way of collecting the tax if a locator refuses to pay, because the government will not accept a lien. Title then could not be taken by the county on a tax sale and, of course, could not be transferred.

It would seem that the loss of revenue could be avoided:

1. By making the locator personally liable for the tax where no lien can attach to the property; and

2. By enforcing the mine occupation tax against such claims.

Severance Tax Generally

The Utah mine occupation tax will yield in 1954 approximately $1,855,696 at 1 per cent of gross proceeds with certain allowable deductions and a $50,000 exemption. Analysis shows that Utah's severance tax amounted in 1951 to but .55 per cent of the Bureau of Mines estimate of the value of Utah mineral production in that year. As the tax is based upon gross proceeds, the ratio of tax to mineral value will remain generally constant. The only other major mineral producing states with a comparably low ratio, as shown in Table 39, are Indiana, Kentucky, Michigan and Nevada. Arizona is not shown in the table for the reason that its 1 per cent occupation tax is applied generally and separate yield data are not available for mines. The New Mexico severance tax collections in 1951 were twice as much as those of Utah, though based upon smaller mineral production.

The relatively larger collections in New Mexico at the same rate (½ per cent on copper plus ½ per cent sales and privilege) is par-

Table 39

COMPARATIVE YIELD OF SEVERANCE TAXES IN RELATION TO MINERAL PRODUCTION, BY STATES, 1951

State	Severance Tax Yield	Value of Mineral Production		% Severance Tax to Value	Principal Minerals
		Amount (000)	Per Cent of U.S. Total		
Alabama	$ 1,006,900	$ 164,279	1.22%	0.6 %	Coal, iron ore, cement, stone
Arkansas	3,558,940	118,693	.88	2.6	Petroleum, bauxite, coal, natural-gas liquids
California	377,054	1,209,428	8.94	0.03	Petroleum, natural gas, natural-gas liquids, cement
Florida	52,671	78,548	.58	0.07	Phosphate rock, stone, cement, sand and gravel
Idaho	185,998	82,793	.61	0.02	Zinc, lead, silver, sand and gravel
Indiana	427,348	174,389	1.29	0.02	Coal, petroleum, cement, stone
Kentucky	146,130	442,264	3.27	0.03	Coal, petroleum, natural gas, stone
Louisiana	57,957,354	787,678	5.82	7.36	Petroleum, natural-gas liquids, natural gas, sulfur
Michigan	854,507	257,939	1.91	0.3	Iron ore, petroleum, cement, salt
Minnesota	21,175,761	433,098	3.20	4.9	Iron ore, sand and gravel, stone, manganiferous ore
Mississippi	6,200,802	103,030	.76	6.1	Petroleum, natural gas, clays, natural-gas liquids
Montana	1,066,471	126,166	.93	0.84	Zinc, copper, petroleum, lead
Nevada	84,539	57,626	.43	0.15	Copper, zinc, tungsten, gold
New Mexico	2,792,345	256,304	1.90	1.08	Petroleum, potassium salts, copper, zinc
Oklahoma	24,508,726	607,485	4.49	4.03	Petroleum, natural-gas liquids, natural gas, zinc
Oregon	622,521	28,401	.21	2.19	Stone, sand and gravel, cement, diatomite
South Dakota	711,070	29,658	.22	2.40	Gold, stone, clays, sand and gravel
Texas	133,825,047	3,268,555	24.17	4.09	Petroleum, natural-gas liquids, natural gas, sulfur
Utah	1,422,134	257,144	1.90	0.55	Copper, coal, lead, gold
Virginia	146,523	161,251	1.19	0.09	Coal, stone, cement, sand and gravel
Washington	447,959	54,552	.40	0.82	Cement, sand and gravel, zinc, coal
Wisconsin	129,536	48,348	.36	0.27	Stone, sand and gravel, iron ore, zinc

tially explained by the absence of an initial deductible sum and more important, by the fact that the severance tax is applied to the production of all natural resources. Severance tax rates on oil and gas are generally higher than upon metals.

A progressive severance tax rate is utilized in some states. It is maintained that this type of structure encourages exploration and development by the new and smaller enterprises, while applying a relatively higher rate to the older established firms which generally have secured a stability of production and known reserves.

The occupation (severance) tax base for Utah metalliferous mines in 1953 was $185,569,608. At the present rate and exemptions, this base would yield $1,855,696. If, however, the rates were progressive as follows: 1 per cent of the first $1 million; 2 per cent of the next $9 million; and 3 per cent of all over $10 million, the increase in yield over the present structure would be $3,113,709—or about 184 per cent.

> Any such increase in the rates of severance (mine occupation) tax would shift Utah from a moderate position to a high position in the comparative burden of metalliferous mine taxation (Table 36). This is a matter of legislative policy which should be considered together with the effect of any changes in corporate income taxation (Chapter VI).

Conclusions

While the taxation of natural resources is a most complex matter, it may be concluded that—

> The taxation of Utah's mining industry is moderate as compared to other states.
>
> Present methods of assessment and taxation of metalliferous mines should, at least, be extended to oil and natural gas—this could add a limited sum annually to the general fund.
>
> If, as a matter of state policy, Utah does not prefer to retain its present favorable ranking among the states, additional tax revenue from natural resources could be provided in the amount of from $2 to $3 million annually, but the effect of any such step should be considered together with the effect of any changes in the burden of the corporate income tax.

Chapter VI

CORPORATIONS

Corporate business in Utah is taxable in respect to its general property; its franchise measured generally by net income under the corporate franchise tax; and its sales (purchases other than for resale) under the consumers sales tax. This state is one of 33 states, as well as the District of Columbia, Hawaii and Alaska, which measures its corporate franchise tax by net income allocable to the state. This measure follows, in general, the provisions of the federal corporate income tax. In the early years of the tax, there were exemptions from income of interest on government bonds, and an offset against property taxes paid. Both of these provisions were repealed (and wisely) in 1937 and 1935, respectively.

The rate has been, from the beginning, 3 per cent on net allocable income or 1/20 of 1 per cent on the average fair value of tangible property located in Utah, or $10, whichever is the greater. In effect, therefore, a corporation will pay its franchise tax upon the basis of 3 per cent of its allocable net income, unless its income for the year falls below 1.67 per cent return on its tangible property in Utah, at which time the 1/20 of 1 per cent (½ mill) minimum applies.

In the beginning, the Utah corporate income tax was modeled after the federal law. Over the years many changes have taken place in the federal law which have not been reflected in the Utah tax base. While it is not necessary for a state to adopt all changes pertinent to the high rates of federal taxation, it is recommended that—

> A careful analysis of the federal act and the state act be made by the Corporation Franchise Tax Division, with a view to facilitating parallel administration with the federal law.

Yield of the Tax

The yield of the tax has grown steadily over the years with the growth of corporate incomes, but this has imparted an element of instability, due to the possibility of economic fluctuations. Thus the tax produces—

1940	$ 854,148
1950	2,612,183
1953	3,171,242
1954	4,127,615

These figures include the original tax (e.g. $2.7 million for 1954) plus penalties and interest ($396,476 in 1954) and deficiency assessments ($996,183 in 1954). In Utah, as in other states, the great bulk of the yield comes from relatively few corporations. Under the present law, moreover, it is based almost exclusively on the income measure (Table 40).

Upon returns filed in 1953, for example, 736 corporations doing multi-state business paid a total of $1,842,750 out of a total original

Table 40

ANALYSIS OF 4,291 CORPORATE FRANCHISE TAX RETURNS AND TAX PAYABLE IN 1953

	With Net Income		With Loss		
	Doing Business Utah Only	Multistate Business	Doing Business Utah Only	Multistate Business	Totals
Number of Corporations	1,412	736	1,741	402	4,291
Gross Sales (000)	$465,716	$67,629,390	$105,370	$1,991,174	$70,191,650
Gross Receipts (000)	55,964	3,019,963	14,131	204,216	3,294,274
Total Income (000)	199,186	23,288,886	39,197	856,186	24,383,455
Officers Comp. (000)	15,427	148,939	4,352	6,451	175,169
Taxes Paid (000)	17,045	4,827,934	2,497	59,261	4,906,737
Total Dedctns. (000)	177,265	19,427,240	45,531	865,129	20,515,165
Total Net Income (000)	22,000	3,861,450	—	—	3,883,450
Utah Net Income (000)	21,649	61,628	—	—	83,277
Utah Franchise Tax					
Tangible Prop. Min.	12,232	11,099	38,910	14,486	76,727
Income Basis	641,936	1,831,651	—[1]	—[1]	2,473,587
Total Tax Paid	654,168	1,842,750	38,910	14,486	2,550,314

[1]The tabulating machines actually turned up negligible amounts of income and income tax in this group, but this is apparently a mechanical error in sorting.

Source: State Tax Commission (unaudited tax returns)

tax due of $2.6 million (Table 40), the remainder being paid by corporations doing business exclusively in Utah. In the appendix tables, this tax yield is presented by industry.

The Burden of the Corporate Franchise Tax

The study of the corporate income tax was based upon a careful analysis of the tax returns filed by 4,289 corporations based upon their income earned in the calendar year 1952 or in fiscal years beginning in 1952. Among them, were 3,163 corporations which did business in Utah only, of which 1,422 had net income and 1,741 had no net income. The group studied included 1,138 corporations which did business both in Utah and in other states, of which 736 corporations had net income and 402 had no net income. All of the corporations in this group paid more than $2.5 million on the income tax basis and less than $76,727 on the property tax basis. The analysis of these tax returns demonstrates not only the relative burden of the tax and its relative importance as compared with other taxes, but also emphasizes the importance of certain features of the tax which are not ordinarily apparent and which go far in determining both the burden to the taxpayer and the yield to the state.

From the viewpoint of economic burden, it is convenient to compare the impact of taxes and other economic costs upon total income,

which is gross income less cost of goods sold and before any deductions for management, taxes, rent, etc. From this point of view, the corporations which do business solely in Utah and realized net income, may best illustrate the operation of the Utah tax, since they are not affected by the allocation formula which is discussed subsequently in this chapter.

> Among the 1,412 of these corporations which realized some net income, the franchise tax amounted to less than 3/10 of 1 per cent of total income, while total taxes (including property and payroll taxes) amounted to a little more than 7 per cent of total income.
>
> These percentages may be compared with officers' salaries which amounted to 6.5 per cent of total income; and with net income after all taxes other than the franchise tax, which amounted to 9.5 per cent of total income.
>
> It is quite clear that total state and local taxes paid by this group of corporations represented a relatively small part of the cost of doing business, barely more than 9 per cent of all such costs and the corporate franchise tax alone was just about 4 per cent of the total of all taxes paid which appeared as deductions in the determination of net income taxable.

As among industries, for the same group of corporations, there were substantial variations from these state totals, but in no case did the corporate franchise tax amount to more than 2 per cent of total income as defined above. In fact among all industry groups, there were only two in which this tax amounted to more than 1 per cent of total income, namely, security dealers and investment banking (1.99 per cent) and crude petroleum and natural gas (1.0 per cent). For example, as among specific industries in this group of corporations, some of the results were as follows:

	Corp. Franchise Tax as % of Total Income	Total Taxes Deducted as % of Total Income
Agriculture	.37%	7.8%
Mining	.24	4.5
Stone, Clay and Glass Prod.	.43	15.5
Wholesale trade (full serv. and limited function)	.32	9.
Lumber and Bldg. Mat. Dealers	.27	7.
General Retail Mdse.	.199	7.4
Retail Food Stores	.17	5.4
Retail Trade NEC	.25	6.8
Real Estate Corps.	.6	15.
Personal Service Business	.19	4.8

Among the 1,741 corporations which did business solely in Utah and lost money, or at least had no net taxable income, the franchise tax would be paid either on the so-called property tax basis or at the rate of $10 as a minimum tax.[1] The total amount of franchise tax

[1]Minimum tax corporation ($10) not included in Table 40.

due from such corporations was about $39,000 which is little more than an average of $20 each. With a few notable exceptions, however, the burden of the franchise tax among these corporations was not substantially greater in proportion to total income, as defined, than it was among corporations which made a profit. The reason may well be that a large part of the total income was drawn off in the form of officers' salaries. Under both federal and state income tax laws on corporations, there is a substantial advantage to the individual corporation to operate in this manner, although the federal rule is to disallow as a deduction any excessive salaries for officers. Nevertheless, it may be significant that among this group of loss companies officers' salaries were almost twice the proportionate amount of total income that they were among the profitable companies (11.1 per cent as against 6.4 per cent). An industry-by-industry comparison discloses substantial differences among the two groups of corporations even greater than these differences among the groups as a whole. For example:

> The average among 79 agricultural corporations for officers' salaries was 10.6 per cent of total income among the loss companies, whereas it was only 5 per cent of total income among 24 profitable companies.
>
> In one group of three loss companies, in the electrical machinery and equipment manufacturing group, there was total income of $11,000 and $8,000 represented a deduction from that sum of officers' salaries. While the percentage of officers' salaries becomes 72.7 per cent, it is quite apparent that these are small service businesses where the total compensation of the proprietors is taken out in the form of "officers' salaries."

It is generally true, moreover, that among the loss companies, the average amount of officers' salaries runs considerably less than it does among the income companies. While salaries might be a source of some tax avoidance in the occasional company, the minimum tax based upon tangible property in Utah will affect many such companies, if the $10 minimum does not.

The difficulty with the present property tax basis is that it is limited to tangible property in Utah and thereby eliminates entirely any minimum tax on that basis for corporations that deal principally in intangibles or that render services rather than make or sell goods.

> To eliminate this inequity, it would be appropriate to change the alternative minimum in both base and rate so that it would become 1 mill of invested capital, that is, total assets (both tangible and intangible) less accounts payable and other short term debt. Such invested capital could be allocated according to the same formula as income. This would bring the Utah tax into line with similar taxes levied in many states, and would also produce some additional revenue for the general fund—an amount, depending upon the effect of the alternative income measure, estimated at $100,000 annually.

Table 41

STATE CORPORATION INCOME TAX RATES AND DEDUCTIONS OF FEDERAL INCOME TAX PAID

State	Rates	Deductibility of Federal Income Tax Paid
Alabama	3%	Yes
Alaska	10% of federal income tax	No
Arizona	1% on 1st $1,000 2% on 2d $1,000 2½% on 3d $1,000 3% on 4th $1,000 3½% on 5th $1,000 4½% on 6th $1,000 5% on balance	Yes
Arkansas	1% on 1st $3,000 2% on 2nd $3,000 3% on next $5,000 4% on next $14,000 5% on balance	No
California	4% (Min. $25)	No
Colorado	5% or 6%	Yes
Connecticut	3.75%	No
District of Columbia	5%	No
Georgia	5½%	Yes
Hawaii	10%	Yes
Idaho	1½% on 1st $1,000 3% on next $1,000 4% on next $1,000 5% on next $1,000 6% on next $1,000 8% on balance	Yes
Iowa	2%	Yes
Kansas	2%	Yes
Kentucky	4½%	Yes
Louisiana	4%	Yes
Maryland	4%	No
Massachusetts	6.765%	No
Minnesota	6.3% (Min. $10)	Yes
Mississippi	2% on 1st $5,000 3% on next $5,000 4% on next $5,000 5% on next $10,000 6% on balance	No
Missouri	2%	Yes
Montana	3% (Min. $5)	Yes
New Mexico	2%	Yes
New York	5½% (Min. $25)	No
North Carolina	6%	No
North Dakota	3% on 1st $3,000 4% on next $5,000 5% on next $7,000 6% on balance	Yes

Table 41 (Cont'd.)

State	Rates	Deductibility of Federal Income Tax Paid
Oklahoma	4%	Yes
Oregon	8% (Min. $10)	No
Pennsylvania	5%	No
Rhode Island	5%	No
South Carolina	4½%	No
Tennessee	3.75%	No
UTAH	**3% (Min. $10)**	**Yes**
Vermont	4% (Min. $25)	No
Virginia	5%	No
Wisconsin	2% on 1st $1,000 2½% on 2nd $1,000 3% on 3rd $1,000 3½% on 4th $1,000 4% on 5th $1,000 5% on 6th $1,000 6% on balance	Yes

Source: Federation of Tax Administrators and Prentice-Hall.

Income Basis Rate

The Utah income measure of the corporate franchise tax is one of the lowest in the Nation. Only six other states have corporate income tax rates as low as 3 per cent, as reported by the Federation of Tax Administrators (Table 41). In view of the relatively light burden of the franchise tax as compared with other costs of doing business, as already shown, an increase in this rate, if necessary to support the state government, would be justified.

> If the revenue is needed, it would not be inequitable to increase the state income tax rate on corporations from 3 per cent to 4 per cent, to add about 30 per cent—or $1.0 million on the basis of 1953 experience—to the estimated yield.
>
> In effect a corporation would pay upon the invested capital minimum basis, suggested above, whenever its return on invested capital fell below 3.33 per cent, with a 3 per cent income basis rate; or below 2.5 per cent with a 4 per cent income basis rate. These rates of return on invested capital are exceeded by the great majority of corporations.

Deductibility of Federal Income Tax Paid

About one-half of the states that have corporate income taxes allow the deduction from net income of income taxes paid to the federal government, before the determination of taxable income for state purposes.

It is not desirable to permit state revenue to fluctuate with changes in federal tax policy. An increase in federal taxes (when deductible) leaves the state with no share in the new tax source, and a depleted tax base of its own. The deduction may operate in the case of some corporations as to make it impracticable to apply the full state rate on income. This will bring the minimum rate into play, with a consequent unevenness of treatment among corporations, solely because of the deductible factor. At the present time, 17 states and Hawaii permit deductions of all or part of federal income taxes paid by corporations. Fifteen states, the District of Columbia and Alaska do not permit such deductions.

The arguments in favor of retaining the federal income tax deduction work toward the determination of a net income for state purposes which remains after payment of federal taxes. State tax rates are very low, however, as compared with federal tax rates and the income tax base for federal purposes already allows for a deduction from net income of the amount of state taxes paid. While it is arguable that as an economic matter a corporation should only be required to pay taxes out of net income which it can retain, it is clear that the deductibility of state income taxes for the determination of the federal tax base avoids the possibility of a corporation being charged with federal tax on income it does not have. The state income tax, however, is a franchise tax even though measured by income. The matter is admittedly one of reasonable difference of opinion, but in view of the very low rate of tax imposed by the state, either at the present rate or at a rate increased to 4 per cent, the possibility of a duplicating levy is very small. While the total state tax base would be increased, almost doubled, by the abolition of the deduction for federal taxes paid, the actual increase in total tax liability, for both federal and state taxes combined, would be offset from the taxpayer viewpoint by the deductibility of the state tax payment from the subsequent federal tax base. At current rates of federal taxes on income of corporations, this would mean that approximately one-half of the increased yield of the tax to the state would not be borne by the corporate taxpayer.

If the revenue is essential to the state, the present deduction of federal income taxes paid from the state income tax base of corporations could be either removed or limited. The increase in revenue from its removal would be approximately $2.5 million annually based on 1953 experience, as compared with the estimated increase of $1.0 million which would result from an increase in the tax rate to 4 per cent. The combined total effect of both eliminating the deduction and increasing the rate would impose a 166 per cent increase in the state income tax on corporations. Obviously both steps should not be taken at the same time.

It should be noted that the increased yield of the corporate franchise tax on the income basis would at present be earmarked for schools, although the increase in the minimum tax based on invested capital would be available for the general fund. To the extent that the school fund would be relieved of the need to draw upon the sales tax, however, the added revenue to the state would, in effect, benefit the general fund.

Inter-State Apportionment of Income

One of the most significant and also most neglected phases of corporate taxation is the allocation of income within and without the state, where the corporation does business in more than one state. Since the income is earned in two or more states, it is neither legally permissible nor economically sound for any one state to tax all of the corporation's income. In all but rare cases, the income does not divide itself according to activity carried on within the state. Where the business is conducted as a unitary enterprise, income is derived from many activities carried on in various states, such as buying, selling, promotion, finance, management, production, distribution and marketing. They all contribute to the creation of the single figure of net income of the corporation. This situation gives rise to the need for some method of allocating net corporate income among the states.

In Utah, the importance of this method is evident in that $1.8 million of a total tax due of $2.6 million was paid by companies doing multi-state business in 1953. They had net income everywhere of $3.8 billion, of which 1.6 per cent, or $61.6 million was allocated to Utah (Table 40). If it were found that this 1.6 per cent should be just 2 per cent, it would mean an increase in the corporation tax yield of almost $500,000 annually, or stated another way—

> The allocation formula is of even more importance to both the state and taxpayer than the tax rate, for the reason that, without change in rate or base, an additional 4/10 of 1 per cent in the average allocation percentage would mean an additional $1.0 million in tax yield every two years.

Utah uses two methods to allocate corporate income within and without the state. One of these is known as "separate accounting"; the other the "Massachusetts formula." They may be described as follows:

> *Separate accounting* means an allocation by the taxpayer, with the approval of the Tax Commission, of all the items of income and expense which may be credited or chargeable to the Utah part of the business. In a unitary enterprise, this method can rarely produce a true picture of the net income earned within the state because it requires so many estimates and determinations to separate items of expense and income which cross state boundaries. The method imports a substantial element of negotiation into the tax determination. For this reason, many states do not favor separate accounting and most of them try to minimize its use.
>
> *Massachusetts formula*: This is the basic method provided for allocation of corporate income. It allocates the income to Utah after specific allocations (such as rents from real property to the state where the property is located) according to the average of the following three fractions:

1. *Property Factor:*

$$\frac{\text{Value of corporation's tangible property in Utah}}{\text{Value of corporation's tangible property everywhere}} \times 100$$

2. *Payroll Factor:*

$$\frac{\text{Payroll of the corporation in Utah}}{\text{Payroll of the corporation everywhere}} \times 100$$

3. *Receipts Factor:*

$$\frac{\text{Receipts of corporation attributable to Utah}}{\text{Receipts of corporation everywhere}} \times 100$$

4. Sum of above three factors divided by 3 = Allocation Per cent

Departing from the general principle of allocation by formula, the Utah law permits the apportionment of income from rents, interest, dividends and capital gains to be made specifically within and without the state, depending upon whether or not such income is "derived from business done outside this state . . ." This specific allocation provision is based upon the notion of fairness implied in allocating specifically when that is possible, and reserving the formula allocation only when it is impossible to do otherwise. The difficulty is that a very substantial part of the assets of domestic and foreign corporations doing business in Utah is composed of investments which yield dividends, interest, and rents, which furnish the working capital for the principal activity of the corporation. In either event, specific allocation of interest and dividends is properly taken by the taxpayer to be outside Utah, whenever he fairly believes that such interest or dividends is not "received in connection with business in Utah."

From the viewpoint of the domestic corporation, this may well mean that temporarily idle capital or working capital which may be invested in corporate stocks, and bonds or government bonds, and short term notes, is not received in connection with business in Utah. Similarly, the foreign corporation with its main office outside the state may properly take the position that none of its income from intangibles, with the possible exception of loans made by finance companies to residents of Utah, is derived or received in connection with business in this state. This is a difficult provision to administer, both for the Tax Commission and the taxpayer; and it is questionable whether the best results can be obtained from the specific allocation provisions in their present form.

There is no fully satisfactory solution to this type of problem, particularly in view of the need to seek certainty of result over any refinement of theory. Within the framework of the present law, however, a number of improvements in provisions for specific allocation may properly be made. These include:

1. Rents and royalties, when specifically allocated, should be allocated to Utah whenever the property from which they issue is either located or used within the state. In the case of specific allocation of rents, moreover, the property from which such rents are derived should be excluded from the numerator and the denominator of the tangible factor in the formula.

2. Unless it can be shown that interest and dividends have been specifically earned within or without Utah, by virtue of the intangibles from which they arise having been integrated in a business actvity carried on particularly within or without the state, such income should be included in total income and thereby become subject to the formula in the same manner as other income to be allocated.

3. Income from gains or losses from sale or exchange of capital assets consisting of tangible property may be treated by specific allocation as at present.

4. Income from services rendered within Utah should be placed in the numerator of the receipts fraction. It is not now apparent where in Schedule N of the corporation franchise tax return such income should be included, although the taxpayer should include it in the item of sales in Utah as part of the receipts fraction.

Receipts Factor

The receipts factor is theoretically intended to introduce an element of the marketing area into the formula, as compared with payroll and property, which is more likely to be located at the point of selling office or production, especially in a manufacturing industry. Among the various states, there is reasonable uniformity of treatment of the property and payroll factors; but there is a great variety of forms of receipts factors.

In Utah, this element of the formula, modeled after the original Massachusetts form, allocates sales as outside Utah whenever they are "negotiated or effected in behalf of the corporation by agents or agencies chiefly situated at, connected with or sent out from premises for the transaction of business owned, or rented by the corporation outside this state;" and the law adds that out-of-state sales shall also include "sales otherwise determined by the Tax Commission to be attributable to the business conducted on such out-of-state premises." The sales attribution, as thus described, is known as the sales office method of allocating receipts.

Obviously, this method need give no effect whatsoever to the marketing area, since the sales personnel may work out of an office far from Utah regardless of the volume of merchandise shipped into the state. Conversely, a producer of goods in Utah may claim a zero sales factor due to an out-of-state sales office, even with respect to merchandise shipped from one point in Utah to a customer at another point within the state.

Other State Experience

The growing interest in this subject which has developed in recent years has prompted the Controllership Foundation to sponsor an intensive research program dealing with allocation formulas. In a recent report upon some results of that work it was observed that actual situations in which separate accounting in a unitary business would produce an accurate result would be infrequent. The report states:[1]

> "Necessarily a unitary business, i.e., a business wherein different activities are interrelated and are benefited each by the other, cannot determine the income from each activity separately. Determination by separate accounting of the economic effect within prescribed geographic limits of any particular phase of a unitary business is artificial and extremely awkward. It follows that attempted separate accounting for such central staff functions as purchasing, advertising, financing, accounting, engineering, legal, tax determination would be most arbitrary, uncertain, and difficult."

The same report, reviewing the various forms of the sales or receipts factor in other states discerns four patterns which attribute sales according to one of the following:

1. Location of sales office handling the transaction—such as Utah, Arizona, Massachusetts, Minnesota, Wisconsin.

2. Location of stock of goods from which order was appropriated —such as Alabama, New York and Oregon.

3. State of destination of shipment to purchaser—such as Colorado, Georgia, Iowa, Oklahoma and Tennessee.

4. State of manufacture, mining or "origination" of the goods—a method used in New Mexico and Virginia.

The author of the Controllership Foundation work points out that,[2]

> "The identification of the sale with the location of the customer has much to recommend it, especially because of the simplicity of the concept and the relative ease with which the necessary data can be accumulated. Probably the greatest objection which can be raised is that sales would necessarily be associated with taxing jurisdictions in which the vendor taxpayer was not doing business, for tax purpose, within the locally accepted meaning of the term. This difficulty points up the need for some clarification of the concept of doing business. . . .
>
> "Although this is probably of somewhat less significance than conflicts arising from the use of different identification

[1]A. H. Cohen, *State Tax Allocations and Formulas Which Affect Management Operating Decisions*, Volume 1, Journal of Taxation, Number 2. (July 1954).

[2]*Ibid.*, page 8, 10.

points for sales, there is the additional possibility that the particular event used may not be clear cut and easily identified. Interviews with corporate tax executives revealed that the identification of a sale by reference to selling activity may be extremely difficult. This is especially true when the complete negotiation and acceptance of a sale must proceed through several administrative steps, each of which may be carried out in a different taxing jurisdiction. In this connection, one corporation which has a district sales office in Massachusetts and numerous subordinate sales locations in Connecticut (as well as in other states), found the interpretations in those two states such that sales in Connecticut are included in both the Connecticut and Massachusetts numerators, since some sales activity takes place in both states."

While Michigan and New Jersey do not use corporate income taxes, and therefore are not referred to in the quoted report, they have developed an allocation formula to allocate the base of their corporate franchise taxes, which meets the objection stated against the attribution of sales according to the location of the customer. With respect to shipments which cross the state boundary, these two states split the amount of the sale by attributing one-half to the state of destination of the shipment and one-half to the state from which the goods are shipped. Thus, in a sale requiring shipment from Utah to another state, one-half of the amount of the sale would appear in the numerator of the receipts factor, and the entire amount of the sale would be included in the denominator of the receipts factor.

Utah Experience With The Receipts Factor

In order to test the operation of the receipts factor in Utah as compared with the present property and payroll factors, two frequency distributions of 732 corporations which allocated by the formula method were prepared. One compares the property and payroll factors and the other compares the property and receipts factors.

As shown in Table 42—

There were 32 taxpayers having from 90 to 100 per cent of their tangible property in Utah. Of these 3 (with a combined payroll of $673,000) had only 0 to 9 per cent of their payroll in Utah, while 20 had 90 to 100 per cent of their payroll in Utah. Twenty-eight of the 32 taxpayers had more than 70 per cent of their payroll in Utah.

At the other extreme, there were 568 corporations with 0 to 9 per cent of their tangible property in Utah. Of these 551 also had 0 to 9 per cent of their payroll in Utah.

It appears that there is a decided tendency for the payroll factor to follow the property factor, especially among the large taxpayers.

As shown in Table 43—

Of the 32 corporations which had from 90 to 100 per cent of their tangible property in Utah, 5 had 0 to 9 per cent of their receipts in this state, while 13 had from 90 to 100 per cent of receipts in this

Table 42

DISTRIBUTION OF TOTAL TANGIBLE PROPERTY vs. TOTAL PAYROLL

Payroll Fraction Group

Tangible Property Fraction	Total No. of Tax-payers	Total Tangible Property of Group	0-9		10-19		20-29		30-39		40-49		50-59		60-69		70-79		80-89		90-100	
			No.	Total Payroll	No.	Total Payroll	No.	Total Payroll	No.	Total Payroll	No.	Total Payroll	No.	Total Payroll	No.	Total Payroll	No.	Total Payroll	No.	Total Payroll		Total Payroll
90-100	32	213,910	3	673									1	16			2	266	6	2,723	20	35,715
80-89	18	10,556	1	—							1	88			1	27	1	622	12	4,559	2	462
70-79	9	123,862	2	41,798											1	333	2	264	2	7,025	2	1,735
60-69	11	7,132	1	266									3	388			3	2,730	2	166	2	107
50-59	13	73,907	2	15									2	238	3	4,737	2	6,393	2	145	2	139
40-49	9	7,195	1	32			1	19	1	1,158	1	1,521	3	838	1	523	1	68				
30-39	13	37,665	2	3,985			2	925	5	11,473	1	9,221			1	248	1	25	1	12		
20-29	18	101,128	2	98	3	4,771	4	2,690	3	39,156	2	4,079	1	202	1	515	1	108	1	71		
10-19	41	440,301	13	27,451	18	112,901	6	8,569			2	791			1	15					1	5
0-9	568	29,906,216	551	15,447,899	8	349,036	2	525	1	323	1	12			1	7	2	109			2	10
	732	30,921,872	577	15,522,217	29	466,708	15	12,728	10	52,110	8	15,712	10	1,682	10	6,405	15	10,585	26	14,701	31	38,173

Source: State Tax Commission.

Table 43

DISTRIBUTION OF TOTAL TANGIBLE PROPERTY vs. TOTAL RECEIPTS

(Amounts in thousands of dollars)

Receipts Fraction Group

Tangible Property Fraction	Total No. of Tax-payers	Total Tangible Property of Group	0-9		10-19		20-29		30-39		40-49		50-59		60-69		70-79		80-89		90-100	
			No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts	No.	Total Receipts
90-100	32	213,910	5	174,082	2	13,838									1	427	6	2,932	5	4,654	13	45,468
80-89	18	10,556	1	11,888									3	1,906			4	5,162	6	15,356	4	7,168
70-79	9	123,862	2	89,231									2	2,015			1	2,145	1	24,295	3	9,558
60-69	11	7,132									1	2,813	1	1,090	4	26,943	3	1,208	1	293	1	622
50-59	13	73,907	2	165							1	207	3	8,462	3	52,084			2	14,638	2	1,395
40-49	9	7,195	1	110	1	39			2	48,337	1	377	3	3,741	1	745						
30-39	13	37,665	2	21,650	3	39,225	1	1,887	2	552	3	37,903			1	1,967			1	180		
20-29	18	101,128	1		5	10,185	5	24,504	4	26,497	2	84,240	1	3,954								
10-19	41	440,301	14	99,601	20	257,747	3	19,694	3	1,673									1	99		
0-9	568	29,906,216	543	72,283,850	20	701,251	1	8,965							2	175			1	239	1	1,091
	732	30,921,872	571	72,680,577	51	1,022,285	10	55,050	11	77,059	8	125,540	13	21,168	12	82,341	14	11,447	18	59,754	24	65,302

Source: State Tax Commission.

state. The others were spread rather thinly in the brackets between 50 and 90 per cent. A somewhat similar experience appears in the middle ranges of the tangible property fraction. For example, there were 13 taxpayers with a tangible property fraction of from 50 to 59 per cent; and 3 of these also had a 50 to 59 per cent receipts fraction. The others were spread throughout the remaining range of the receipts fraction. They are relatively small in size as shown in the total receipts indicated in each group. When the receipts fraction of the largest group of these taxpayers is compared with the tangible property fraction, there were 568 taxpayers with a 0 to 9 per cent property fraction and of these, 543 show a 0 to 9 per cent receipts fraction.

> The tendency shown by the distribution indicates that the lower the property fraction, the lower the receipts fraction. The higher the property fraction, the higher the receipts fraction. This would seem to indicate that the present formula is not measuring through the receipts fraction, much more than is being measured by the property fraction. This condition, together with the obvious economic implications of the sales office method, would seem to justify a change in the formula, not so much for new revenue as for an equitable redistribution of the burden among corporations.

The sales office method of sales attribution has a certain relevancy to its Massachusetts origin which may be questioned in Utah. In the densely populated and concentrated market area of New England, sales office would most often identify market area. A sales office located in Colorado or New Mexico, however, would result in sales into or out of Utah being attributed to neither of the three states. In Utah, which is so largely devoted to the production of basic elements and materials, the location of a sales office will furnish little guide to the location of the marketing area. In connection with the finished goods which are shipped into Utah, moreover, the present formula may provide little in the way of allocation of taxable income commensurate with the market which Utah provides for such goods, often sold in competition with Utah business.

It appears both equitable to the taxpayer and desirable from the state's revenue standpoint, to suggest the modification of the present sales attribution under the receipts factor to conform to the method adopted in New Jersey and Michigan (or some appropriate adaptation of their method). This would attribute, for the purposes of the receipts fraction, the following receipts to Utah:

> a. From sales in the regular course of business of tangible personal property located in Utah at the time of receipt of or appropriation to the orders, where shipments are made to points within Utah, irrespective of where the orders were received or accepted;
>
> b. One-half the amount of receipts from sales in the regular course of business of tangible personal property located in Utah at the time of the receipt of or appropriation to the orders, shipped to any point outside of Utah, irrespective of where the orders were received or accepted;

c. One-half of the amount of receipts from sales in the regular course of business of tangible personal property located outside Utah at the time of receipt of or appropriation to the orders, where shipment is made to a point within Utah;

d. One-half the amount of receipts from sales in the regular course of business of tangible personal property, not located at the time of receipt of or appropriation to the order at any permanent or continuous place of business maintained by the taxpayer outside of Utah, if the orders were received or accepted in Utah.

The payroll and the property factors would remain as at present, subject to the adoption of suggestions for their clarification already noted.

Exempt Corporations

There are several matters of definition and procedure under the corporate net income tax which this study has emphasized:

> There are some 16 different classes of corporations which are exempt from the corporate franchise tax. It is neither necessary nor desirable to express a tax exemption in statutory form for a class of corporation, when the legislative intent is to afford the exemption only where earnings are applied in a particular way.

It is suggested that the present list of 16 exemptions be reduced to three classes; as follows:

A. Corporations not organized for profit, and no part of the net earnings of which inures to the benefit of any private shareholder or individual;

B. Corporations organized for the exclusive purpose of holding title to property, collecting incomes therefrom and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax;

C. Insurance companies which are otherwise taxed upon their premiums.

This proposal omits two groups that are now exempt: *Holding companies*—there is no reason why a holding company should be exempt, even though the tax implications may not be great under the Utah law; *Farmers cooperatives*—it is proposed to retain special treatment for such corporations, but to eliminate the present exemptions from filing and reporting under the law. To the extent that farmers and producers receive a return from the sales of their products, such income can be deducted. To the extent that the cooperative becomes an investment medium, it becomes a commercial enterprise, and should not receive preferential treatment.

The present Utah provision regarding farmers cooperatives is identical with the federal law prior to 1951. The Revenue Act of that year, however, removed the exemption for taxable years beginning after December 31, 1951, but retained certain advantages for such cooperatives over other types of cooperatives. (See 82nd Cong. 1st Sess. Senate Rpt. No. 781, Part 1 (1951) p. 20.) Under the federal Internal Revenue Code prior to this year, and under the new Internal Revenue Code of 1954, an association which qualified as a farmers cooperative may deduct what are called "patronage dividends, refunds, and rebates to patrons with respect to their patronage in the same or preceding year" in computing net income. (See Revenue Act of 1951, Sec. 314a, and Internal Revenue Code of 1954, Sec. 522.) The cooperative may also deduct the amount of dividends on stock and certain non-patronage profits paid or allocated to patrons. The previous income tax exemption is granted to a corporation organized by such a cooperative to finance crop operations.

It is recommended that the Utah law be revised to treat farmers cooperatives in the same manner as provided in the federal Revenue Act of 1951 and continued in the Internal Revenue Code of 1954. It is not possible to estimate the effect on state revenue due to such a change, because of the lack of information concerning cooperatives in Utah, but the change should be made as a matter of principle.

Chapter VII

PARTNERSHIPS

Partnerships have a dual nature. For some purposes they are considered as legal entities or legal "persons" similar to corporations. For other purposes they have a "several" form of organization with no legal existence, except as the partners themselves are considered individually legally responsible. For taxing purposes, the latter theory prevails and the wealth which is derived from partnerships is reached mainly through the taxing of individual partners.

In Utah, partnerships are required to report their financial status to the State Tax Commission annually. The total number included in the study was 3,945. Of these, the largest industry group reporting was the agricultural industry with 647 partnerships. Other large groups were building construction and special trade contractors, retail food and liquor stores and other retail trades, eating and drinking places, real estate, retail filling stations and personal services. The total gross receipts reported was $375,241,000.

Some Facts About Partnerships

As every businessman is well aware, gross receipts alone do not indicate the value of a business. However, when gross receipts are cast against net income, value may be seen. Net income as defined for reporting purposes is the difference between gross income and deductions. Gross income is arrived at by adding together gross receipts, income from other partnerships, interest, rents, royalties, profits from sale of real estate, stocks, bonds and other dividends and subtracting the cost of goods sold. The deductions allowed are salaries of employees, rent on business property, interest on indebtedness, repairs, taxes on business property, losses by fires and storms, bad debts and depreciation.

Net income as a per cent of gross receipts (Table 45) shows a difference of 2.4% (air transportation to 65.7%) (law offices and related services) among the partnerships in the state. Those with a high per cent are:

Insurance agents and brokers	44.3
Finance agencies	49.15
Medical and other health	62.7
Law offices and related services	65.7

All of these industries have comparatively low overhead, occupy rented quarters, need little equipment and run no losses for merchandise that does not sell or sells slowly. Their "net income" and gross are close together because, their gross does not include any charge for merchandise. There are other significant ratios:

The mining group shows returns of net to gross from 27% (metal mining) to 13.2% (coal)—the highest and the lowest in the group.

Table 45

RECEIPTS, PROFITS, INCOME AND TAXES — PARTNERSHIPS BY INDUSTRY CLASS (1952)

Industry Class	No. of Partnerships	Gross Receipts (000)	Gross Profits (000)	Total Income (000)	Net Income (000)	Utah Property Tax	Total Taxes	As % of Gross Receipts: Net Income	As % of Gross Receipts: Utah Property Tax	As % of Gross Receipts: Total Taxes	As % of Tot. Income: Utah Property Tax	As % of Tot. Income: Total Taxes
Agriculture												
Agriculture	647	$ 31,249	$ 10,306	$ 12,088	$ 3,625	$ 386,761	$ 483,260	11.6%	1.2%	1.5%	3.2%	4.0%
Agricultural Services	7	772	376	375	44	969	7,245	5.7	.1	.9	.3	1.9
Mining												
Metal Mining	69	3,064	1,159	1,195	826	10,148	30,554	27.0	.3	1.0	.8	2.6
Coal	8	636	359	359	84	3,031	10,938	13.2	.5	1.7	.8	3.0
Crude Petrol, and Nat. Gas	12	746	365	321	162	1,157	4,472	21.7	.2	.6	.4	1.4
Non-metallic Mining & Quarrying	19	615	379	402	159	3,132	8,364	25.9	.5	1.4	.8	2.1
Contract Construction												
Building Construction	141	25,934	7,171	11,645	2,542	40,698	202,031	9.8	.2	.8	.4	1.7
Gen. Construction other than Bldg.	45	8,130	2,752	4,493	878	15,040	83,981	10.8	.2	1.0	.3	1.9
Constr., Spec. Trade Contractors	213	12,338	4,990	4,501	2,159	38,436	105,951	17.5	.3	.9	.9	2.4
Manufacturing												
Food & Kindred Products	41	8,148	2,265	2,088	707	16,787	43,529	8.7	.2	.5	.8	2.1
Textile Mill Prod. & Others	3	438	227	229	46	2,121	4,380	10.5	.5	1.0	.9	1.9
Apparel & Other Finished Prod.	7	648	196	203	52	2,642	9,781	8.0	.4	1.5	1.3	4.8
Lumb. & Wood Prod. ex. Furniture	32	1,857	863	648	235	7,248	26,485	12.7	.4	1.4	1.1	4.1
Furniture & Fixtures	7	1,669	445	445	171	3,796	4,997	10.2	.2	.3	.9	1.1
Printing, Publish., & Allied Ind.	26	1,461	1,026	945	303	4,121	20,016	20.7	.3	1.4	.4	2.1
Chemicals & Allied Prod.	6	116	15	102	34	1,076	1,536	29.3	.9	1.3	1.1	1.5
Stone, Clay & Glass Prod.	6	273	161	107	57	1,264	3,441	20.9	.5	1.3	1.2	3.2
Primary Metal Ind.	4	309	237	46	72	1,415	5,784	23.3	.5	1.9	3.1	12.6
Fabricated Metal Prod.	8	610	289	291	115	1,219	3,756	18.9	.2	.6	.4	1.3
Machinery	10	2,104	1,062	1,012	398	14,196	28,378	18.9	.7	1.3	1.4	2.8
Transportation Equipment	3	187	112	92	64	526	1,427	34.2	.3	.8	.6	1.6
Misc. Manufacturing Ind.	12	666	287	185	99	1,197	6,037	14.9	.2	.9	.6	3.3
Transportation, Communication & Utilities												
Trucking & Warehousing for Hire	84	9,254	4,476	4,529	1,080	18,231	108,157	11.7	.2	1.2	.4	2.4
Other Transportation	4	145	109	125	10	100	4,967	6.9	.1	3.4	.1	4.0
Air Transportation	7	3,108	1,523	2,847	74	1,835	3,712	2.4	.1	.1	.1	.1

Table 45 (Cont'd.)

Industry Class	No. of Partner-ships	Gross Receipts (000)	Gross Profits (000)	Total Income (000)	Net Income (000)	Utah Property Tax	Total Taxes	As % of Gross Receipts: Net Income	Utah Property Tax	Total Taxes	As % of Tot. Income: Utah Property Tax	Total Taxes
Wholesale and Retail Trade												
Full Serv. & Ltd. Function Whse.	153	$41,210	$ 7,290	$ 5,567	$ 2,538	$ 83,194	$ 168,274	6.2%	.2%	.4%	1.5%	3.0%
Whlse. Distributors (other)	49	10,066	1,590	1,887	698	5,175	26,646	6.9	.1	.3	.3	1.4
Lumb. & Bldg. Mat. Dealers	56	11,821	4,198	6,057	1,531	19,225	48,123	13.0	.2	.4	.9	.8
Retail General Merchandise	51	7,565	1,789	1,746	671	28,455	47,169	8.9	.4	.6	1.6	2.7
Retail Food & Liquor Stores	220	36,486	6,578	6,109	1,990	69,022	158,110	5.5	.2	.4	1.1	2.6
Retail Automotive	122	49,006	10,520	13,036	2,745	167,042	183,856	5.6	.3	.4	1.3	1.4
Retail Apparel and Accessories	81	9,570	3,210	2,973	995	34,535	67,984	10.4	.4	.7	1.2	2.3
Retail Trade NEC	321	39,007	11,121	10,815	3,798	127,714	254,523	9.7	.3	.7	1.1	2.4
Eating & Drinking Places	273	13,838	5,984	5,290	1,514	41,742	168,641	10.9	.3	1.2	.8	3.2
Retail Filling Stations	131	8,753	2,001	1,769	854	14,145	45,839	9.8	.2	.5	.8	2.6
Credit Agencies other than Banks	8	896	254	95	85	360	3,463	9.5	.04	.4	.4	3.6
Finance Agencies	33	730	369	458	361	15,216	17,990	49.5	2.1	2.5	3.3	3.9
Insurance Agents & Brokers	38	1,493	831	951	662	2,141	8,964	44.3	.1	.6	.2	.9
Real Estate	343	5,360	2,678	3,667	2,488	387,112	409,376	46.4	7.2	7.6	10.6	11.2
Service												
Hotels, Room. Houses, Camps, Others	73	1,658	932	1,102	411	47,583	63,406	24.8	2.9	3.8	4.3	5.8
Personal Services	121	3,440	1,710	1,705	773	22,300	54,311	22.5	.6	1.6	1.3	3.2
Business Services	68	3,061	955	1,534	905	4,523	24,723	29.6	.1	.8	.3	1.6
Auto. Repair Services	90	3,870	1,562	2,086	647	13,601	71,735	16.7	.4	1.9	.7	3.4
Misc. Repair & Hand Trades	43	923	458	414	248	1,707	7,704	26.9	2.4	.8	5.2	1.9
Motion Pictures	32	1,690	624	977	201	11,982	32,599	11.9	.7	1.9	1.2	3.3
Amusement & Recreation	53	1,415	701	825	392	6,449	28,143	27.7	.5	2.0	.8	3.4
Medical & Other Health Serv.	76	5,167	2,670	2,995	3,242	9,139	30,245	62.7	.2	.6	.3	1.0
Law Offices & Related Serv.	60	2,461	1,276	1,657	1,617	2,355	9,332	65.7	.1	.4	.1	.6
Educational Instu. & Agencies	7	149	78	104	53	741	1,320	35.6	.5	.9	.7	1.3
Other Professional & Soc. Serv. Ag.	23	1,226	389	923	589	167	8,535	48.0	.01	.7	.01	.9
Total	3,945	$375,241	$110,895	$123,992	$44,001	$1,692,756	$3,154,184	11.7	.5	.8	1.4	2.5

Source: State Tax Commission.

> The manufacturing group shows wide variations of net to gross. The light industries show a lower return—food processing, textile mill products, apparel, and wood products and furniture—under 12.7%. Those with a higher rate of return are chemicals and allied products, 29.3%; primary metal construction, 29.3%; and fabricated and allied products, 18.8%.
>
> Wholesale and retail trades operate for the most part at a ratio of net to gross under 10%.

The major tax that partnerships as an entity pay is the property tax. This is not a tax upon partnerships as such, but rather a tax against property held by the partnership as an owner. Inventories of merchandise, equipment, real estate held, are all considered in the levy of the property tax against partnerships. The companies with rented offices, or with rapid turnover of inventory, pay proportionately little property tax. Those with large investment in real estate, or with inventories which do not turn over rapidly, or with extensive investment in equipment would pay more property tax.

In Table 45, the property tax of partnerships is shown as a percentage of gross receipts. State-wide, the burden is .5%. In all industries the ratio is small. The highest (as would be expected) is real estate—7.2%. Agriculture is 1.2%. Hotels, rooming houses and business agencies are 2.9%. Among the lowest are service and professional groups—filling stations 0.2%; insurance agents and brokers, 0.1%; personal services, 0.6%; medical, 0.2%; other professional services, .01%.

The income ratios and tax ratios do not follow the same industry pattern. For example, metal mining with an income ratio of 27% pays 0.3% of gross receipts in property taxes. Amusements and recreation with an income ratio of 27.7% has a 0.5% tax ratio; and law offices with a 65% income ratio have 0.1% property tax ratio.

When *total* taxes are considered in relation to gross receipts, the picture changes considerably. In some 17 industry groups total taxes are more than twice as large as property taxes. In metal mining the property tax was 0.3% of gross receipts; total taxes, 0.997%. In bituminous coal the total tax ratio was 1.7%; auto repair, 1.9%; real estate, 7.6%. For the most part, however, taxes are a small part of the cost of doing business.

It is difficult to draw over-all conclusion from such widely varying data. Perhaps all that can be said is this—

> Taxes on partnerships (largely property and payroll taxes) represent, for the most part, small fractions of net income and still smaller fractions of gross receipts.
>
> The effect of these taxes is most uneven. Industries dependent upon large investment in property, generally pay more; those dealing in services, generally pay less. The rates of return and gross receipts, however, greatly influence the extent to which these taxes are burdensome.

* * * * *

Table 46

RECEIPTS, PROFITS, INCOME AND TAXES — PARTNERSHIPS BY COUNTY

County	No. of Firms	Gross Receipts (000)	Gross Profits (000)	Total Income (000)	Net Income (000)	Utah Property Tax	Total Taxes	As % of Gross Receipts: Net Income	Utah Property Tax	Total Taxes	Total Taxes as % of Tot. Income
Beaver	31	$ 1,264	$ 387	$ 395	$ 209	$ 7,677	$ 12,344	16.5%	.6%	1.0%	3.1%
Box Elder	124	10,460	3,225	3,262	1,049	47,697	99,471	10.0	.5	1.0	3.0
Cache	168	13,497	3,824	3,813	1,495	65,992	139,696	11.1	.5	1.0	3.7
Carbon	139	10,830	2,801	3,014	1,217	46,526	77,354	11.2	.4	.7	2.6
Daggett	1	15	14	14	9	1,051	1,101	60.0	7.0	7.3	7.9
Davis	128	9,936	2,559	2,670	1,160	34,519	60,993	11.7	.3	.6	2.3
Duchesne	47	3,787	2,168	2,275	317	11,563	24,696	8.4	.3	.7	1.1
Emery	28	1,129	287	319	135	10,718	12,798	12.0	.9	1.1	4.0
Garfield	12	380	141	164	59	2,316	5,699	15.5	.6	1.5	3.5
Grand	17	968	321	1,104	136	6,300	58,350	14.1	.7	6.0	5.3
Iron	90	5,774	4,635	7,382	1,233	32,561	56,748	21.4	.6	1.0	.8
Juab	50	2,812	686	681	260	13,614	23,895	9.2	.5	.9	3.5
Kane	22	663	288	224	74	8,325	16,274	11.2	1.3	2.5	7.3
Millard	59	4,128	1,300	1,830	624	24,490	37,512	15.1	.6	.9	2.1
Morgan	21	1,518	949	948	159	14,285	16,507	10.5	.9	1.1	1.7
Piute	4	92	33	92	15	1,342	2,683	16.3	1.5	2.9	2.9
Rich	12	275	191	191	56	7,032	11,116	20.4	2.6	4.0	5.8
Salt Lake	1,815	195,520	58,521	66,187	25,058	833,743	1,535,460	12.8	.4	.8	2.3
San Juan	28	2,210	859	432	309	18,688	30,275	14.0	.8	1.4	7.0
Sanpete	82	3,666	1,141	971	435	38,871	51,708	11.9	1.1	1.4	5.3
Sevier	70	10,259	1,997	2,094	569	34,859	55,706	5.5	.3	.5	2.7
Summit	31	2,204	607	625	244	11,302	21,494	11.1	.5	1.0	3.4
Tooele	49	6,874	1,145	1,118	711	22,374	46,705	10.3	.3	.7	4.2
Uintah	60	4,303	1,405	1,326	420	20,316	53,516	9.8	.5	1.2	4.0
Utah	299	22,341	6,154	6,249	2,650	112,385	215,011	11.9	.5	1.0	3.4
Wasatch	22	1,852	385	502	245	11,505	22,683	13.2	.6	1.2	4.5
Washington	48	4,505	1,353	1,313	393	18,556	43,330	8.7	.4	1.0	3.3
Wayne	11	368	110	93	45	1,519	2,426	12.2	.4	.7	2.6
Weber	437	46,091	11,688	12,785	4,497	169,552	353,615	9.8	.4	.8	2.8
Total	3,905	$367,721	$109,174	$122,073	$43,785	$1,629,678	$3,089,166	11.9	.5	.8	2.5

Source: State Tax Commission.

Of 3,905 partnerships, 1,815 are in Salt Lake County—46%, Table 46. These represent 54% of total gross receipts; 61% of net income; 52% of property taxes and 53.5% of total taxes. Among all the counties, net income of partnerships as a per cent of gross receipts varies from 21.4% in Iron County to 5.5% in Sevier County. Among counties having 100 or more partnerships, this ratio is very close to 11%, but in Salt Lake County it rose to 12.8%. The ratio of property taxes to gross receipts is fairly uniform in counties with large numbers of partnerships—around 0.4%; except in counties with fairly large numbers of agricultural partnerships—Iron County 0.6% and Sanpete 1.1%. But this picture is not always clear. Box Elder County shows a 40% proportion of agricultural partnerships and a property tax ratio of 0.5%—probably low assessment makes the difference.

* * * * *

Differences in the incidence and financial status of corporations as compared with partnerships have direct bearing upon revenue expectations. During the period studied, 2,391 corporations and 3,945 partnerships were operating solely within Utah. Total income for corporations was $241.1 million; $123.9 million for partnerships. The largest percentage of total partnerships was among the agricultural industry group 16.4% compared with 3.5% for corporations. Among other industry groups which are more apt to be organized as partnerships rather than as corporations are: trucking, special trade contract construction, eating and drinking places, retail food stores, garages, commercial recreation, medical and law offices. With the exception of agriculture, all of these industries are less dependent on large investment in real property than many of the other industry groups.

The corporate form of organization seems to fall towards more complex industry groups or groups relying upon property. Financial agencies of various kinds take the corporate form. Real estate represents 13.9% of all corporations. Printing, publishing, stone and clay products and manufacturing, are only lightly represented as partnerships but fairly heavily as corporations. The manufacturers of food and kindred products is 3.3% of all corporations, 1.0% of partnerships. As an exception to this general pattern, wholesale trade is 6.6% of corporation, 3.9% of all partnership.

The relation between total income and property tax paid, shows that corporations pay more than partnerships in practically all industry groups. In real estate and services, corporations pay proportionately less. This means that corporations, even in the identical industry, tend to have heavier investment in property than partnerships—which is to be expected. It is not too likely that the difference is explained by a tendency to tax corporations more than partnerships, since it is not always readily apparent to the assessor whether a given company is a corporation or a partnership. The geographical locale of corporations compared to partnerships may show more high assessments than low ones.

Total taxes as a per cent of total income follows the same general pattern as the relation of property tax to total income. For the most part, the corporations pay higher total taxes in relation to total income. The exceptions to this general pattern occur in industry groups with small numbers of either corporations or partnerships represented. The only major industry group showing higher proportion of total

tax to total income for partnerships was in the real estate group. Real estate corporations show 6.4 per cent total tax to total income; real estate partnerships show 11.2 per cent total tax to total income. Both have large numbers of individual units represented; 343 partnerships and 333 corporations.

The comparison made of partnerships and corporations cannot be exact, because the two forms do not stand on equal ground. More partnerships than corporations are reported, and corporations have twice the income. The industry groups represented by the corporations differ in many respects from partnership groups, with corporations more frequent in complex industries. Taxes paid by corporations are higher than those paid by partnerships, as would be expected under present laws; and return on investment is higher for partnerships than corporations. The partnerships have an advantage over corporations in the tax field, but their legal character has made a separate tax difficult to apply equitably.

Some states have, however, used unincorporated business levies of low millage rates upon gross business done. Such a tax would be justifiable as a measure toward equalization of the total tax burden of corporations and partnerships. At an average rate of ¼ of 1 per cent it could yield about $1 million to the general fund.

Chapter VIII

CONSUMER SALES

Sales and use tax collections during fiscal year 1953-54 account for $18 million or 21 per cent of Utah's total revenue receipts. The consumer sales tax contributed approximately $16.5 million or 92 per cent of this total, while the use tax made up the remaining $1.5 million.

Nearly all (95 per cent) of the taxable sales and sales tax collections of the consumer sales tax were derived from non-manufacturing concerns.

Table 47 suggests several significant facts that must be taken into consideration when adjustments in the base of the consumer sales tax are under consideration. Twelve leading non-manufacturing businesses collected 88 per cent of the total state sales tax. Retail food and liquor collections are the largest item, 17 per cent, within which grocery stores account for 87 per cent of the total or 16 per cent of

Table 47

ESTIMATED ANNUAL SALES TAX DISTRIBUTION IN 12 LEADING NON-MANUFACTURING BUSINESSES

(Millions of $)

	Total State Taxable Sales	Total State Annual Tax	% Each is of State Total
Retail food and liquor	$141.4	$ 2.83	17.2%
Retail automotive	132.6	2.65	16.1
Retail NEC	121.4	2.43	14.8
Whlse.—full serv. and ltd. function	72.0	1.44	8.8
Retail general merchandise	53.1	1.06	6.4
Retail apparel and accessories	50.5	1.01	6.1
Lumber and bldg. mat. dist.	42.1	.84	5.1
Eating and drinking places	38.4	.77	4.7
Whlse. distributor, et.al.	18.7	.37	2.4
Telephone and telegraph	12.6	.25	1.6
Const. special contractors	10.1	.20	1.3
Utility gas and electric	27.1	.54	3.5
Total Major Business	$720.1	$14.4	88.1%
Remainder	$ 62.4	$ 1.3	11.9%
Grand Total, non-mfg.	$782.5	$15.7	100%

the total state sales tax collections. The second largest item—retail automotive, accounts for about 16.1 per cent of the total taxable sales. Retail trade not elsewhere classified accounts for 14.8 per cent of the state's total taxable sales. Wholesale (full service and limited function) acounts for about 6 per cent. These five categories make up nearly two-thirds of the state's non-manufacturing taxable sales and sales tax collections.

Sales tax collections from manufacturers account for about 5 per cent of total sales tax collections. It is estimated that manufacturing firms in Utah sold taxable merchandise to the value of $20.5 million in 1953, and the annual retail sales tax collections for 1954 will reach about $811,000. About 73 per cent of this sum is derived from the five principal cities—Salt Lake, Ogden, Provo, Logan and Murray; with about 57 per cent of the state total from Salt Lake City. Nine counties account for 97 per cent of the sales tax on manufacturers, and the remaining 20 counties account for about 3 per cent. With the exception of Utah County, outside of Provo, the bulk of taxable manufacturers' sales tends to lie in the cities.

An analysis of the consumers' sales tax is largely determined by Utah's unique population distribution:

> Forty-three percent of the population reside in five municipalities—Salt Lake City, Ogden, Provo, Logan and Murray—within which are 65 per cent of the taxable sales.
>
> Salt Lake County contains 40 per cent of the state population—Weber, Utah and Cache, 29 per cent of the population. Within these four urban counties are 75 per cent of all estimated taxable sales.
>
> The four largest counties, Salt Lake, Weber, Utah and Cache—contain two-thirds of the state population; slightly less than three-fourths of all sales tax collections and estimated taxable sales.

Table 48 reveals the significance of the geographic distribution of Utah taxable sales and sales tax collections. The number of sales tax collectors range from eight in Daggett County to more than 4,514 in Salt Lake County, 87 per cent of which are located within Salt Lake City. Only Cache, Salt Lake, Utah and Weber counties possess more than 500 tax collecting units. Together these four counties include 7,526 of the 11,878 reporting units. The five principal cities account for about 80 per cent of the units located within the four counties.

The estimated annual taxable sales range from about $100 thousand in Daggett to more than $415 million in Salt Lake County. Approximately three-fourths of the sales tax collections are made within the four most populous counties. Of this amount about 90 per cent is collected within the five major cities.

Table 48 also reveals that both the average taxable sales per tax collection and the per capita taxable sales within the four most populous counties are relatively much greater than within the remainder of the counties. However, neither category accurately reflects the geographic distribution of purchasing power or location of sales. Within the four counties are located the five principal cities which

Table 48

COMPARATIVE TAXABLE SALES AND SALES TAX COLLECTIONS AMONG COUNTIES AND CITIES, UTAH, 1953

	1950 Population	Number of Tax Collectors	Estimated Annual Taxable Sales	Estimated Annual Tax	% County or City is of State Total	Average Taxable Sales Per Tax Collection	Per Capita Taxable Sales
S. L. City	182,121	3,861	$384,118,310	$ 7,682,366	46.69	$99,487	$2,109
Ogden	57,112	1,127	83,940,600	1,678,812	10.20	74,481	1,470
Provo	28,937	509	39,351,960	787,039	4.78	77,312	1,360
Logan	16,832	349	19,790,868	395,817	2.40	56,707	1,176
Murray	9,006	194	11,998,828	239,977	1.46	61,850	1,332
	294,008	6,040	539,200,566	10,784,011	65.51	89,272	1,834
Beaver	4,856	101	3,121,110	62,422	.38	30,902	643
Box Elder	19,734	382	16,514,638	330,293	2.01	43,232	837
Cache	33,536	512	23,734,718	474,694	2.88	46,357	708
Carbon	24,901	388	22,751,336	455,027	2.76	58,637	914
Daggett	364	8	99,952	1,999	.01	12,494	275
Davis	30,867	408	20,063,648	401,273	2.44	49,176	650
Duchesne	8,134	168	5,985,314	119,706	.73	35,627	736
Emery	6,304	108	1,745,530	34,911	.21	16,162	277
Garfield	4,151	96	1,719,594	34,392	.21	17,912	414
Grand	1,903	49	1,740,892	34,818	.21	35,528	915
Iron	9,642	219	12,362,364	247,247	1.50	56,448	1,282
Juab	5,981	120	4,231,624	84,632	.51	35,264	708
Kane	2,299	87	1,745,626	34,913	.21	20,065	759
Millard	9,387	202	6,182,862	123,657	.75	30,608	659
Morgan	2,519	45	1,696,124	33,922	.21	37,692	673
Piute	1,911	38	517,886	10,358	.06	13,629	271
Rich	1,673	35	562,880	11,258	.07	16,082	336
Salt Lake	274,895	4,514	416,256,816	8,325,136	50.57	92,215	1,514
San Juan	5,315	57	2,981,488	59,630	.36	52,307	561
Sanpete	13,891	277	7,917,670	158,353	.96	28,584	520
Sevier	12,072	269	12,317,598	246,352	1.50	45,790	1,020
Summit	6,745	146	4,245,560	84,911	.52	29,079	629
Tooele	14,636	225	11,188,736	223,775	1.36	49,728	764
Uintah	10,300	147	7,918,236	158,365	.96	53,864	769
Utah	81,912	1,296	69,686,186	1,393,724	8.47	53,770	851
Wasatch	5,574	100	4,266,196	85,324	.52	42,662	765
Washington	9,836	229	7,206,208	144,124	.88	31,468	733
Wayne	2,205	35	427,562	8,551	.05	12,216	194
Weber	83,319	1,204	87,253,726	1,745,075	10.60	72,470	1,047
Outside Utah		391	50,461,984	1,009,240	6.13	12,906	—
Unassigned in Utah		22	16,178,654	323,573	1.97	73,539	—
Denominator for col. 4	688,862	11,878	$823,082,718	$16,461,654	100.00	$69,295	$1,195

Source: State Tax Commission.

serve as marketing centers for a large part of the state. Furthermore, a number of larger concerns, though selling and collecting tax outside of the major cities retain their offices within the metropolitan areas; this is particularly true of Salt Lake City. Some of these concerns could not distribute their sales by locality, as a consequence a certain portion of the sales attributed to the major cities were made outside of the metropolitan areas.

Table 49

LOCATION OF MAJOR TAXABLE SALES

	% Each is of State Total	Principal Cities	Counties Outside P. C.	Misc. and Outside of Utah
Retail food and liquor	17%	73%	27%	0%
Retail automotive	16	64	36	0
Retail trade, NEC	15	73	26	1
Full serv. and limited funct. wholesale	9	90	3	7
General merchandise	6	52	43	5
Retail apparel and accessories	6	48	10	42
Lumber and bldg. material del.	5	60	40	—
Eating and drinking places	5	67	30	3

The eight major non-manufacturing industry groups in Table 49 make up approximately 80 per cent of the estimated taxable sales and sales tax collections in Utah. Table 49 suggests the importance of Utah's five major municipalities in the sales tax picture. The five major cities, Salt Lake City, Ogden, Provo, Logan and Murray, account for about one-half of the taxable sales made by the general merchandise, retail apparel and lumber and building material dealers, about two-thirds of the sales made by retail automotive dealers and eating and drinking places; three-fourths of the retail food and liquor sales and nearly all of the full service and limited function wholesale. Nearly one-half of the state's entire taxable sales are made within Salt Lake City.

Table 50 reveals that twelve of the 43 Salt Lake City business groups reporting accounted for 93 per cent of the total city taxable sales and sales tax collections. Thus, twelve business groups in Salt Lake City alone made up nearly one-half of Utah's total sales and sales tax collections.

Retail food and liquor establishments lead the list comprising more than one-fifth of the total city taxable sales. Within this category grocery stores make up 86 per cent. The significance of this single item is revealed by the fact that 72 per cent of the total state grocery store sales tax collections are made within Salt Lake City.

The position of Salt Lake City as the state's wholesale center is suggested by the fact that this category of business (wholesale—full

Table 50

SALES TAX DISTRIBUTION IN 12 LEADING NON-MANUFACTURING BUSINESSES

SALT LAKE CITY
(millions of dollars)

	Salt Lake City Taxable Sales	Salt Lake City Annual Tax	% Each is of Salt Lake City	% That Each S.L.C. is to Each Bus.	% That Each S.L.C. is to Total State Bus.
Retail food and liquor	$ 75.7	$1.5	20.9%	53.54%	9.67%
Retail automotive	51.0	1.0	14.1	38.48	2.64
Retail NEC	56.9	1.1	15.8	46.91	7.28
Whlse.—full serv. and ltd. function	60.4	1.2	16.7	83.86	7.72
Retail general merchandise	19.1	.38	5.3	35.98	2.44
Retail apparel and accessories	14.2	.28	4.0	28.14	1.81
Lumber and bldg. mat. dist.	16.4	.33	4.5	38.94	2.10
Eating and drinking places	19.3	.39	5.3	50.26	2.46
Whlse. distributor, et. al.	7.3	.15	2.0	39.01	.93
Telephone and telegraph	6.4	.12	1.8	50.68	.81
Const. special contractors	4.5	.09	1.3	44.91	.58
Utility gas and electric	4.4	.09	1.1	16.23	.56
Total Major Business	$335.7	$6.6	92.9%	46.62%	39.0 %
Remainder	25.4	.6	7.1	.....	7.1
Grand Total, non-mfg.	$361.1	$7.2	100%	46.1%	46.1 %

service and limited function) ranks second in importance in Salt Lake City while ranking fourth in the state as a whole. This category accounts for nearly 17 per cent of the estimated sales tax collections in Salt Lake City. Of this amount the largest part (one-third) is made of sales of machinery and supplies.

The third largest collections of sales taxes in Salt Lake City is retail trade not elsewhere classified. This category accounts for 16 per cent of the total city taxable sales and amounts to an estimated $569,740 in tax collections per year—approximately 7 per cent of the total state sales tax collections. Sales of furniture stores made up nearly one-fourth of this category.

Once the total potential base of a consumers sales tax is determined, the yield depends largely upon the rate and the deductions:

Table 51 reveals that with the exception of Pennsylvania all states levy either a two or three per cent sales and use tax rate. Eighteen of the states levy a 2 per cent rate and eleven states a three per cent levy.

Table 51

CONSUMERS SALES AND USE TAX RATES IN 26 STATES

Alabama	3%	New York City	3%
Arkansas	2	North Carolina	3
California	3	North Dakota	2
Colorado	2	Ohio	3
Florida	3	Oklahoma	2
Georgia	3	Pennsylvania	1
Iowa	2	Rhode Island	2
Kansas	2	South Carolina	3
Louisiana	2	South Dakota	2
Maine	2	Tennessee	2
Maryland	2	Utah	2
Michigan	3	Washington	3
Mississippi	2	West Virginia	2
Missouri	2	Wyoming	2
Connecticut	·	Illinois	

Source: All States Sales Tax Reporter—Commerce Clearing House.

Table 52

SUMMARY OF CLAIMED EXEMPTIONS FROM SALES TAX, BY NATURE OF EXEMPTION 1st QUARTER, 1954

Nature of Exemption	Frequency of Claim	Sales Claimed Exempt	
		Amount	Per Cent of Total Claimed
Resale sales (defined in the act as "wholesale sales")	3,223	$ 79,351,161	47.3%
Interstate commerce sales (involving shipments from Utah)	1,035	20,126,737	12.0
Sales to government, religious or charitable institutions	2,168	26,431,107	15.8
Service sales	2,208	8,608,087	5.1
Cigarette, motor fuel, margarine and beer sales	2,892	23,178,442	13.8
Other exemptions	1,472	9,927,570	5.9
Total Exemptions	12,998	$167,623,103	100.0%

Utah with a two per cent rate is in line with a majority of the states. However the three percent rate is not uncommon and the trend appears to be in this direction.

In 1953-54 the Utah sales and use tax at the 2 per cent rate yielded approximately $18 million. A three per cent rate would yield about $27,122,000—an increase of approximately $9 million.

Deductions

Total gross sales of reporting Utah industries for the first quarter of 1954 totaled about $331 million. Deductions claimed however, amounted to $167 million or 50 per cent of the total gross sales. Allowable deductions are an integral part of any consumers sales tax. Their relationship to the yield of this tax is most significant as revealed by the fact that deductions for the first quarter of 1954 amounted to better than one-half of the gross sales of those firms claiming deductions. An analysis of the yield and administration of a consumers sales tax presupposes a thorough analysis of deductions. The subject of deductions must be viewed both as to class of deduction and of industry group.

Sales for resale alone amount to nearly half of all deductions claimed, while sales made in interstate commerce and to government, religious and charitable associations account for about ¼ of the total (Table 52), thus three-fourths of the deductions are claimed for sales which are almost always exempted from any consumers sales tax. Service sales deductions account for only 5 per cent of the total, while deductions from the gross sales of cigarettes, motor fuels, oleomargarine and beer make up 14 per cent of the total. Taken together, service, cigarettes, motor fuels, oleomargarine and beer sales deductions make up about 1/5 of the total deductions.

Only those service businesses which also make taxable sales reported their deductions and tax collections. Were service sales in Utah subject to the sales tax as they are in some states, the minimum increase in sales tax yield is estimated at approximately $688 thousand per year or at about $1 million at the 3 per cent rate. This estimate is undoubtedly conservative as it does not take into consideration the service sales of those concerns which have no taxable sales to report.

Commodities Otherwise Taxed

In common with many states Utah levies an excise tax upon motor fuel, cigarettes, beer and margarine. As a consequence these four items have been exempted from the consumers' sales tax. The policy of exempting from the sales tax those items already subject to a selective excise tax is not uniform, for in many states the sales tax is levied in addition to excise tax (Table 53).

Table 53 reveals that three states, Georgia, Illinois, and Iowa, and New York City levy the sales tax upon the sale of motor fuel in addition to the excise tax. Twenty-four states and the District of Columbia exempt the sale of motor fuel from the consumers' sales tax.

The excise tax upon cigarettes in those states levying a consumers' sales tax varies from two cents a pack in Arizona to eight cents a pack in Louisiana. Nearly half of the consumer sales tax states

Table 53

SALES TAX EXEMPTIONS AND SELECTED EXCISE TAXES BY STATES

T—Taxed E—Exempt

	Motor Fuel Excise (c per gal.)	Sales Tax	Cigarette Excise (c per pack)	Sales Tax	Beer Excise (c per gal.)	Sales Tax	Margarine Excise (c per lb.)	Sales Tax
Alabama	6 cent	E	3 cent	T	5.3 cent	E	None	T
Arizona	5	E	2	T	7½	T	None	T
Arkansas	6.5	E	6	E	16	T	None	T
California	6	E	None	T	2	T	License	T
Colorado	6	E	None		3		10	E
Connecticut	4	E	3	E	3.2	T	License	E[1]
District of Columbia	4	E	1	E	3.2	T	None	T
Florida	7	E	5	E	24	E	10	T
Georgia	6	T	3	T	14.5	T	10	T
Illinois	5	T	3	T	4	T	None	T
Iowa	5	T	3	T	8	T	5	T
Kansas	5	E	3	E	10[3]	E	10	E
Louisiana	7	E	8	T	32	T	12	T
Maine	6	E	4	E	5.3[4]	E	10	E[1]
Maryland	6	E	None	E	3	T	None	E[1]
Missouri	3	E	None	T	2	T	None	T
New York City	4	T	3[5]	E	3½[5]	T	None	E
North Carolina	7	E	None	T	24	T	10	E[1]
North Dakota	5	E	3	E	8	E	10	E
Ohio	5	E	2	E	4.8[3]	E	None	E
Oklahoma	6.5	E	5	E	....	T	None	T
Pennsylvania	5	E	4	E	8	E	License	E[1]
Rhode Island	4	E	3	E	3.2	T	None	E[1]
South Carolina	7	E	3	T	30	T	10	T
Tennessee	7	E	5	E	11	E	10	T
Utah	5	E	2	E	3.6[3]	E	5 & 10[2]	E
Washington	6.5	E	4	T	3.2	T	None	T
West Virginia	5	E	4	T	18	T	None	T
Wyoming	5	E	2	E	2	T	None	T

[1]All food products exempt.
[2]5 cent per lb. if artificially colored.
[3]If over 3.2% alcohol.
[4]16c if imported.
[5]State excise.

apply the sales tax upon the sale of cigarettes in addition to the excise tax. Of the twenty-seven consumers sales tax states listed in Table 53, nineteen subject the sale of beer to the sales tax in addition to excise tax. There is little correlation between the burden of the beer excise tax and the sales tax exemption. For example, West Virginia with a beer excise tax of about eighteen cents a gallon also levies a sales tax upon the retail sale of beer, while North Dakota with an eight cent per gallon excise exempts beer from the provision of the sales tax.

Only twelve of the twenty-seven consumer sales tax states listed apply an excise tax upon margarine. Of the twelve states levying

the excise, six subject margarine to the consumer sales tax as well. Three of the states which levy an excise tax but exempt margarine from the sales tax also exempt all food products.

Based upon the practice of other states as indicated in Table 53, Utah might well increase the sales tax yield by altering exemption policy as to the four items named.

Based upon the sale of margarine stamps in Utah for the period July 1, 1953-June 30, 1954, and assuming that equal quantities of colored and uncolored margarine are sold, it is estimated that the application of the consumer sales tax to the retail sale of margarine would increase the sales tax yield by $57,000. At a three per cent sales tax rate the increased revenue would amount to approximately $85,000.

Cigarette stamp sales amounted to $1,213,348 for the period July 1, 1953 to June 30, 1954. With this as an approximate measure, it is estimated that the application of the sales tax to the retail sale of cigarettes would increase sales tax revenues about $279,000 per year at the present two per cent rate or $418,000 at a three per cent rate.

Based upon motor fuel tax receipts for the fiscal year 1953-1954 and assuming an average retail price per gallon of fuel, it is estimated that the application of the sales tax to the retail sale of motor fuel would increase sales revenue at the current two per cent rate by $1.3 million and by $2.0 million at a three per cent rate.

Beer excise tax receipts for the fiscal year 1953-1954 totaled $218,763. Assuming the average retail price of beer at $.0125 an ounce, it is estimated that the annual taxable retail sale of beer amounts to approximately $8 million. The annual increase in sales tax revenue if the retail sale of beer was subject to the sales tax is estimated at $158,000 at the current two per cent sales tax rate and at $237,000 at a three per cent rate.

SUMMARY OF ESTIMATED POTENTIAL SALES TAX YIELD DISALLOWING SELECTIVE EXEMPTIONS

Exemption	Current 2% Rate	3% Rate
Margarine	$ 57,000	$ 85,000
Cigarettes	279,000	419,000
Motor fuel	1,351,000	2,026,000
Beer	158,000	237,000
Total	$1,845,000	$2,767,000

If the exemptions on all four of the items in this deduction class were disallowed, the increased sales tax yield at the current two per cent rate is estimated at approximately $1.8 million. At a three per cent rate the estimated yield is approximately $2.8 million.

Exemption by Industry

During the second quarter of 1954, sixty-nine business groups consisting of 8,930 firms reported gross sales of approximately $331 million. Of the 8,930 firms 6,481 claimed exemptions and 2,449 did

not. The gross sales of the 6,481 claiming exemptions amounted to $307 million. Of this sum about 55 per cent was reported as exempt.

Two industry groups—manufacturing and wholesale and retail trade—account for 90 per cent of the deductions claimed (Table 54). The manufacturing industry is primarily engaged in sale for resale and sale to government and these two deduction classes make up 80 per cent of the deductions claimed by manufacturing concerns. The major manufacturing industries making up this group are manufacturers of: food and kindred products, fabricated metal products, machinery—except electrical—chemical and allied products, and stone, clay and glass products.

Of the 643 manufacturing firms reporting taxable sales, 140 claimed no deductions and had gross sales of $1.5 million. 503 firms with gross sales of $66.7 million claimed exemptions of $58.2 million, amounting to 87 per cent of their gross sales.

Table 55 reveals the major classes of firms which make up the wholesale and retail group. Retail automotive with gross sales of $28.8 million claimed the largest exemptions in this group.

Of the 369 firms reporting taxable sales, 317 reported gross sales of $28.1 million, of which $9.3 million or 33 per cent was reported as deductible. Nearly $5 million was exempted as resale, $1.6 million as sales in interstate commerce and $1.4 million as service sales.

Retail filling stations with claimed exemptions of $7.1 million make up the second largest category in the wholesale resale group. Of the 754 firms, 654 reported gross sales of $8.8 million, 80.5 per cent of which was claimed as deductible. Approximately 85 per cent of the exemptions claimed are attributed to the sale of motor fuel and cigarettes ($6.1 million). Resale sales exemptions are nearly as large as those claimed for service sales.

Retail food and liquor firms make up the third largest category in this group. Of the 1,165 firms reporting, 949 claimed exemptions totaling $6.8 million or about 20 per cent of their gross sales. The greater part of the exemptions claimed (60 per cent) were attributed to resale sales, followed by sales of margarine, beer and cigarettes (36 per cent).

Those "wholesale and retail" combined firms claiming deductions, reported gross sales of $10.9 million of which $5.7 million (48 per cent) was reported as non-taxable. About three-fourths of the exemptions are attributed to resale sales. Of the 188 firms reporting exemptions, 125 claimed sales to government, institutions, etc., amounting to $466,376.

Of the 874 eating and drinking places reporting, 203 claimed no exemptions, while 671 report exemptions equal to 28 per cent of their gross sales. The deductible sale of beer and cigarettes was reported by 635 firms and the exemptions amounted to $1.5 million or nearly one-fourth of the gross sales of those claiming deductions.

Automobile repair services and garages reported gross sales of nearly $3 million. Of the 370 reporting, 277 reported gross sales of $2.9 million, nearly one-half of which was claimed as non-taxable. One-third of the exemption is attributed to service sales and one-half is about evenly divided between resale sales and the sale of motor fuel and cigarettes.

Table 54

ANALYSIS OF SALES TAX EXEMPTIONS CLAIMED IN 8 MAJOR INDUSTRY GROUPS

Exemption Code:

0. No exemptions
1. Resale sales
2. Interstate commerce sales
3. Sales to government, institutions, etc.
4. Service sales
5. Cigarette, motor fuel, margarine and beer
6. Other exemptions

Exemption Class	Amount of Exemptions	Frequency of Exemptions	Number of Firms	Gross Sales	% Exemptions are to Total Exemptions	% Exempt. of Gross Sales of Firms Claiming Exemptions
			Agriculture			
0			15	$ 39,072		
1	31,675	6				
2	1,522	2				
3	2,593	4				
4	300	1				
6	10,193	4				
Tot. Exempt.	46,283	17	8	58,557	.02%	79.0%
Tot. Ind.			23	97,628		
			Mining			
0			22	54,758		
1	3,464,687	44				
2	721,519	12				
3	58,217	22				
4	2,735,345	7				
5	306,943	10				
6	180,788	11				
Tot. Exempt.	7,467,500	106	61	9,584,400	4.5	77.9
Tot. Ind.			83	9,639,158		
			Contract Construction			
0			136	574,358		
1	517,300	120				
2	398,127	39				
3	284,154	124				
4	661,715	153				
5	68,303	20				
6	182,763	50				
Tot. Exempt.	2,112,361	506	242	3,799,780	1.3	55.6
Tot. Ind.			378	4,374,138		
			Manufacturing			
0			140	1,505,049		
1	16,710,173	398				
2	9,571,699	162				
3	20,608,296	235				
4	805,457	177				
5	7,597,675	20				
6	2,919,122	87				
Tot. Exempt.	58,212,421	1,079	503	66,676,609	34.7	87.3
Tot. Ind.			643	68,181,658		

Table 54 (Cont'd.)

Exemption Code:
0. No exemptions
1. Resale sales
2. Interstate commerce sales
3. Sales to government, institutions, etc.
4. Service sales
5. Cigarette, motor fuel, margarine and beer
6. Other exemptions

Exemption Class	Amount of Exemptions	Frequency of Exemptions	Number of Firms	Gross Sales	% Exemptions are to Total Exemptions	% Exempt. of Gross Sales of Firms Claiming Exemptions
			Utilities			
0			56	$ 4,268,968		
1	$ 185,498	43				
2	1,365,537	17				
3	774,885	68				
4	27,921	20				
5	105,544	21				
6	151,807	33				
Tot. Exempt.	2,611,192	202	105	13,661,770	1.6	19.1
Tot. Ind.			161	17,930,738		
			Wholesale and Retail Trade			
0			1,463	15,592,262		
1	56,985,229	2,287				
2	7,855,585	714				
3	4,451,904	1,508				
4	3,284,297	1,415				
5	14,397,235	2,578				
6	6,127,219	1,115				
Tot. Exempt.	93,101,669	9,617	4,761	204,000,862	55.5	45.6
Tot. Ind.			6,224	219,593,124		
			Services			
0			596	2,303,853		
1	1,209,343	311				
2	137,503	85				
3	221,900	193				
4	1,026,146	428				
5	699,159	240				
6	350,220	164				
Tot. Exempt.	3,644,271	1,421	784	8,127,591	2.1	44.8
Tot. Ind.			1,380	10,431,444		
			Finance, Etc.			
0			21	233,975		
1	247,255	14				
2	75,245	4				
3	29,157	14				
4	66,707	7				
5	3,583	3				
6	5,459	8				
Tot. Exempt.	427,406	50	17	920,903	.3	46.4
Tot. Ind.			38	1,154,878		
			Total All Industry Groups			
	167,623,103	12,998	8,930	331,402,766		

Table 55

ANALYSIS OF SALES TAX EXEMPTIONS CLAIMED BY SELECTED RETAIL INDUSTRY GROUPS 1st QUARTER 1954

Exemption Code:

0. No exemptions
1. Resale sales
2. Interstate commerce sales
3. Sales to government, institutions, etc.
4. Service sales
5. Cigarette, motor fuel, margarine and beer
6. Other exemptions

Exemption Class	Amount of Exemptions	Frequency of Exemptions	Number of Firms	Gross Sales	% Exemptions of Gross Sales of Firms Claiming Exemptions
		Wholesale and Retail Combined			
0			36	$ 219,192	
1	$4,291,551	152			
2	225,850	36			
3	466,376	125			
4	87,086	49			
5	32,079	14			
6	131,303	66			
Total Exempt.	5,234,247	442	188	10,916,006	48.0%
Total Ind.			224	11,135,198	
		Retail General Merchandise			
0			81	$ 793,932	
1	$ 232,183	99			
2	72,848	25			
3	67,753	141			
4	102,450	43			
5	420,742	183			
6	192,176	69			
Tot. Exempt.	1,088,151	560	248	9,750,711	11.2%
Total Ind.			329	10,544,642	
		Retail Food and Liquor			
0			216	$1,899,510	
1	$3,975,806	478			
2	17,747	22			
3	106,670	282			
4	56,321	56			
5	2,380,591	747			
6	137,510	143			
Tot. Exempt.	6,674,645	1,728	949	34,255,127	19.5%
Total Ind.			1,165	36,154,637	
		Retail Automotive			
0			52	$ 681,917	
1	$4,779,573	294			
2	1,632,080	102			
3	337,704	90			
4	1,432,438	204			
5	433,477	117			
6	702,836	131			
Tot. Exempt.	9,318,107	938	317	28,143,460	33.1%
Total Ind.			369	28,825,377	

Table 55 (Cont'd.)

Exemption Code:

0. No exemptions
1. Resale sales
2. Interstate commerce sales
3. Sales to government, institutions, etc.
4. Service sales
5. Cigarette, motor fuel, margarine and beer
6. Other exemptions

Exemption Class	Amount of Exemptions	Frequency of Exemptions	Number of Firms	Gross Sales	% Exemptions of Gross Sales of Firms Claiming Exemptions
		Retail Apparel and Accessories			
0			202	$ 2,287,582	
1	$ 59,429	29			
2	84,540	60			
3	8,298	23			
4	20,382	24			
5	21,432	35			
6	194,081	171	106	3,680,139	5.3%
Tot. Exempt.			308	5,967,721	
Total Ind.					
		Personal Services			
0			124	$ 183,360	
1	$ 68,752	28			
2	7,698	17			
3	22,123	36			
4	209,484	53			
5	6,213	7			
6	49,965	28			
Tot. Exempt.	364,235	169	99	797,581	45.7%
Total Ind.			223	980,941	
		Business Services N.E.C.[1]			
0			28	$ 93,966	
1	$ 258,550	31			
2	24,373	17			
3	38,398	18			
4	44,193	23			
5	13,700	2			
6	9,439	10			
Tot. Exempt.	388,653	101	53	724,722	53.6%
Total Ind.			81	818,687	
		Automobile Repair Services and Garages			
0			93	$ 130,942	
1	$ 345,657	135			
2	39,504	16			
3	28,333	56			
4	509,270	206			
5	378,320	95			
6	113,204	48			
Tot. Exempt.	1,414,287	556	277	2,864,060	49.4%
Total Ind.			370	2,995,002	

Table 55 (Cont'd.)

Exemption Code:

0. No exemptions
1. Resale sales
2. Interstate commerce sales
3. Sales to government, institutions, etc.
4. Service sales
5. Cigarette, motor fuel, margarine and beer
6. Other exemptions

Exemption Class	Amount of Exemptions	Frequency of Exemptions	Number of Firms	Gross Sales	% Exemptions of Gross Sales of Firms Claiming Exemptions
		Misc. Repair Services and Hand Trades			
0			104	$ 145,067	
1	$ 372,014	92			
2	25,260	22			
3	44,268	56			
4	212,930	114			
5	36,900	4			
6	35,481	19			
Tot. Exempt.	726,853	307	170	1,244,766	58.4%
Total Ind.			274	1,389,834	
		Eating and Drinking Places			
0			203	$ 1,206,585	
1	$ 129,211	35			
2	28,103	5			
3	24,878	46			
4	33,404	41			
5	1,452,835	635			
6	101,689	158			
Tot. Exempt.	1,770,120	920	671	6,309,684	28.1%
Total Ind.			874	7,516,268	
		Retail Filling Stations			
0			100	$ 264,103	
1	$ 325,430	92			
2	20,419	5			
3	19,810	37			
4	398,168	432			
5	6,121,498	616			
6	165,402	81			
Tot. Exempt.	7,050,727	1,263	654	8,763,057	80.5%
Total Ind.			754	9,027,161	
		Hotels, Roominghouses, Camps, etc.			
0			30	$ 132,665	
1	$ 2,656	5			
2	24	1			
3	1,456	7			
4	10,303	7			
5	52,143	33			
6	35,029	16			
Tot. Exempt.	101,611	69	41	921,420	11.0%
Total Ind.			71	1,054,085	

[1]Not elsewhere classified.

The remaining class of retail firms reporting $1 million or more of exemptions is retail general merchandise. Of the 329 firms, 248 claimed exemptions of $1.1 million. The sale of margarine and cigarettes ($420,742) accounts for 39 per cent of the total deduction and more than 4 per cent of the gross sales.

The ratio of exemptions to gross sales of the remaining industry groups as well as of the major groups analyzed in Table 55 is presented in more detail in Table 56.

There are deductions by several industrial groups, that raise some questions of classification, administration and accuracy of reporting:

> 198 automotive retail dealers account for ⅔'s of the $28.8 million gross sales of the retail automotive group and for ½ ($4.7 million) of the total deductions. $4.1 million was reported as sale for resale—a larger amount than was reported for service sales ($1.4 million). 6% was reported as interstate commerce in a state where no major city is close to the state border.
>
> Retail filling stations report deductions of 78 per cent of gross sales, and 100 out of 754 claimed no deductions. As motor fuel is exempt, 78 per cent seems low. While a few stations may sell no deductible motor fuel, or services, 100 seems high. It is more likely that these firms are reporting on a net taxable basis.
>
> Of 874 eating and drinking places 203 reported no deductions and 671 claimed deductions amounting to $1,770,120 or 28.1 per cent of their gross sales. 82 per cent of these deductions were charged against beer and cigarettes. This would indicate that some 23 per cent of gross sales was for beer or cigarettes. This seems high.
>
> 9,306 firms in the construction and special trade contractors reported quarterly sales of $3.4 million, of which 48 per cent was deductible, mostly as service sales or sales for resale. Service and sales are difficult to separate, and final sale is sometimes difficult to identify. 48 per cent in these categories seems high.

It is difficult to summarize from this complex material without detailed studies and field work covering each category of taxpayers; but when it is emphasized that claimed deductions are about ½ of total taxable sales, the importance of this factor becomes evident. Even a 5 per cent reduction in deductible items would mean additional revenue of some $670,000 annually, or $1 million at a 3 per cent rate. Deductions reported as service charges alone for the first quarter of 1954, amounted to $8.6 million—approximately $34.4 million a year. There are undoubtedly inaccuracies in reporting deductions, due in part to misunderstandings and in part to inaccurate reporting. An additional allowance for auditors might well be a good investment for added revenues.

Aside from clearer and tighter administration, increased yields can be provided only by increasing the rate or modifying or removing the exemptions. The only two items that would lend themselves easily

Table 56

EXEMPTIONS FROM GROSS SALES CLAIMED IN UTAH SALES TAX RETURNS 2nd QUARTER, 1954

Industry	Number of Firms		Gross Sales of Firms Claiming Exemptions	% Exemptions of Gross Sales of Firms Claiming Exemptions
	Total Reporting	Number Claiming Exemptions		
State Total	8,930	6,481	$306,830,472	54.7%
Agriculture	15	6	50,411	77.7
Agriculture and similar service establishments	8	2	8,146	87.2
Metal Mining	9	8	2,775,714	99.0
Bituminous Coal Mining	30	25	3,758,796	95.1
Crude Petroleum and Natural Gas Production	13	8	2,906,455	36.2
Non-metalic mining and quarrying	31	20	143,435	67.2
Building construction——general contractors	50	29	665,225	55.5
General contractors other than building	21	13	185,831	72.4
Construction special trade contractors	307	200	2,948,724	54.6
***	27	18	322,350	38.2
Ordnance and accessories	1	1	12,108	100.0
Food and kindred products (mfg.)	129	94	10,713,065	80.0
Tobacco mfg.	1	1	1,477	—
Textile mill products	9	6	387,912	88.6
Apparel and other finished products	24	14	670,646	87.5
Timber and wood products	79	58	956,111	42.0
Furniture and fixtures	22	20	396,248	75.8
Paper and paper products	3	2	404,753	99.9
Printing, publishing and allied industries	124	105	1,749,242	61.7
Chemicals and allied products	29	25	2,781,082	78.5
Products of petroleum and coal	6	5	10,981,243	94.4
Rubber industries NEC	1	1	579,631	91.2
Saddlery, harness and whips	3	2	266,381	79.5
Stone, clay and glass products	38	27	4,086,575	75.5
Primary metal industries	17	14	21,033,631	98.3
Primary smelting and refining non-ferrous metals	38	34	4,468,563	74.7
Machinery except electrical	29	26	5,400,173	93.3
Electrical machinery equipment and supplies	13	12	390,532	88.1
Transportation equipment except automobiles	4	3	227,525	55.4
Professional and scientific equipment	9	8	220,383	55.4
Misc. mfg. industries	37	28	628,455	57.8
Freight and/or freight and passenger railroads	2	2	538,652	68.3
Local railways and buslines	3	2	20,703	2.0
Trucking and warehousing for hire	72	42	540,319	33.4
Other transportation except water	21	9	192,049	49.1

Table 56 (Cont'd.)

Industry	Number of Firms: Total Reporting	Number of Firms: Number Claiming Exemptions	Gross Sales of Firms Claiming Exemptions	% Exemptions of Gross Sales of Firms Claiming Exemptions
Services allied to transportation and NEC	4	2	$ 4,349	60.3%
Telephone, telegraph and related services	13	10	4,621,851	26.5
***	1	1	6,555	99.3
Utilities— electric and gas	44	36	7,666,052	8.8
Local utilities and public service NEC	1	1	71,241	87.3
Full service and limited function wholesale	483	401	55,110,148	74.7
Wholesale distributors—other	223	176	25,321,512	62.2
Wholesale and retail combined	224	188	10,916,006	48.0
Retail general merchandise	329	248	9,750,711	11.2
Retail food and liquor	1,165	949	34,255,127	19.5
Retail automotive	369	317	28,143,460	33.1
Retail apparel and accessories	308	106	3,680,139	5.3
Retail trade NEC	1,495	1,051	21,751,018	22.3
Eating and drinking places	874	671	6,309,684	28.1
Retail filling stations	754	654	8,763,057	80.5
Bank and trust companies	1	1	2,664	—
Security dealers and investment banking	1	1	418	—
Finance agencies NEC	11	4	547,724	53.2
Insurance carriers	2	2	15,126	—
Insurance agents, brokers and services	3	2	6,580	26.4
Real estate	19	10	329,782	39.5
Real estate, insurance, loans, law offices	1	1	36,817	29.0
Hotels, rooming houses, camps, etc.	71	41	921,420	11.0
Personal services	223	99	797,581	45.7
Business services NEC	81	53	724,722	53.6
Employment agencies and commercial and trade schools	11	6	41,969	53.3
Automobile repair services and garages	370	277	2,864,060	49.4
Misc. repair services and hand trades	274	170	1,244,766	58.4
Motion pictures	75	12	244,104	30.3
Amusement, recreation, and related services NEC	133	79	402,754	58.2
Medical and other health services	17	10	195,492	77.4
Law offices and related services	8	5	74,375	37.0
Educational institutions and agencies	78	8	278,725	28.6
Other professional and social service agencies and institutions	9	4	114,954	21.8
Non-profit membership organizations	30	20	222,669	15.5

***Industry group not verified.

to this treatment, would be services rendered in conjunction with the sale of tangible goods and sale of cigarettes, motor fuels, oleomargarine and beer. These deductions appear to amount to $127 million annually; and could account for revenue of approximately $2.5 million at the current 2 per cent rate or $3.8 million at a 3 per cent rate.

* * * * *

Local Sharing in Sales Tax

The property tax chapter has shown that higher property tax rates are found principally in cities, which are also the central marketing areas. If the legislature, as a matter of policy desired to afford some property tax relief to these cities, all or part of the yield of an additional cent on the sales tax ($9 million annually) could be soundly distributed to the cities and towns in proportion to sales tax collections. If all of the additional yield were distributed this would provide Salt Lake City, for example, with additional non-property revenue of approximately $4.2 million annually, probably more than necessary. Since it is administratively unpractical to levy a consumer sales tax at ½ cent rates, it would appear more realistic to apply part of any such increased revenue to state needs.

Chapter IX

INDIVIDUAL INCOME TAX

The Utah Individual Income Tax was adopted in 1931. From the outset it was imposed at graduated rates and its yield was largely devoted to the support of the public schools (75% to state district school fund). In the original act there was an offset for property taxes paid, which was wisely repealed in 1935. The 1935 legislature also established the present rate structure of 1% on the first thousand dollars of taxable income up to 5% on all taxable income in excess of four thousand dollars. The same act reduced personal exemptions to $600 for a single person, $1200 for a married couple, and $300 for each dependent. While there were a number of amendments in the intervening years, the tax remained substantially unchanged for the next fifteen years.

In 1951, legislation was adopted to establish an optional short form of return, under certain limitations, and subject to a tax in the amount of 10% of the 1950 federal rates. This option was, of course, intended as a matter of convenience to taxpayers who were not subject to federal surtax rates at such a level as to render the option disadvantageous. In 1953, the 1951 short form was replaced with a new form, effective for taxable years commencing after December 31, 1951. The new form was integrated with federal taxable income, less the federal tax, computed at the regular state rates of taxation. The 1953 law also increased the exemption for dependents to $600 to conform to the federal.

The Special Investigations Division of the Tax Commission has pointed out that Utah is now working under two different laws, viz:

> *Long Form:* which carries all advantages of Utah law over federal law, *but* is operated under a two year statute of limitation.
>
> *Short Form:* which has all advantages of Federal Law over Utah law, and has a three year statute of limitation.

Advantages

Long Form over Short Form	Short Form over Long Form
Need not report:	May take advantage of:
Alimony	50% capital gain feature
Pensions	Operating loss carry over
Certain types of interest and dividends	Capital loss carry over
May deduct:	Deduction for medical expense
100% of capital or other losses	Over 65 exemption
	Blind exemption
	Dependents over 21
Head of family deduction	
Splitting of marital exemption to best advantage between husband and wife	Adjusted gross excludes pay for past services; IRC 1301, 1303 (1954)
Railroad retirement deduction	
Social Security deduction	Utah income tax deducted

Table 57
COMPARATIVE COMPOSITION OF ADJUSTED GROSS INCOME, BY STATES, 1951
(Amounts in Thousands)

State	Adjusted Gross Income	Per Cent Adjusted Gross Income		
		Salaries and Wages	Dividends	Interest
Alabama	$ 2,247,438	82.73%	1.64%	0.51%
Arizona	853,869	74.42	2.63	1.12
Arkansas	1,075,003	73.93	1.49	0.61
California	17,781,044	75.27	3.20	1.20
Colorado	1,800,684	72.05	3.34	1.49
Connecticut	3,656,371	80.50	4.96	0.98
Delaware	603,774	73.03	9.01	0.58
District of Columbia	1,465,478	81.87	3.68	0.87
Florida	3,068,460	73.26	4.11	1.32
Georgia	2,670,363	80.23	2.81	0.62
Idaho	669,047	64.49	1.37	1.31
Illinois	15,291,223	80.73	2.80	0.63
Indiana	5,542,162	80.62	1.83	0.57
Iowa	3,057,144	62.28	1.55	0.98
Kansas	2,372,300	69.16	1.57	0.65
Kentucky	2,389,652	78.03	2.43	0.56
Louisiana	2,307,898	81.94	2.54	0.67
Maine	924,022	80.11	3.46	1.04
Maryland	4,528,162	84.81	2.63	0.91
Massachusetts	6,882,364	83.12	4.07	0.96
Michigan	10,414,660	83.77	2.34	0.66
Minnesota	3,608,219	74.18	2.46	0.93
Mississippi	954,077	75.29	1.74	0.84
Missouri	4,889,219	76.12	3.19	0.74
Montana	772,597	68.59	1.25	0.96
Nebraska	1,648,425	61.26	1.88	0.78
Nevada	277,413	72.31	4.40	2.16
New Hampshire	657,231	80.82	4.21	1.15
New Jersey	8,256,719	83.98	2.99	0.80
New Mexico	696,934	71.84	1.97	1.03
New York	25,421,567	80.32	4.38	1.05
North Carolina	3,150,874	79.49	2.58	0.48
North Dakota	617,192	56.56	1.33	1.37
Ohio	12,579,855	82.31	2.78	0.65
Oklahoma	2,209,293	75.51	1.69	0.59
Oregon	2,228,677	73.14	1.71	1.19
Pennsylvania	15,140,296	82.64	3.12	0.63
Rhode Island	1,130,209	82.59	3.85	0.92
South Carolina	1,500,042	81.56	1.78	0.51
South Dakota	626,089	59.66	1.19	0.77
Tennessee	2,690,510	80.86	2.13	0.62
Texas	8,793,470	73.58	2.01	0.66
Utah	847,179	77.81	1.80	0.70
Vermont	384,539	79.04	3.84	1.53
Virginia	3,271,159	82.04	3.05	0.59
Washington	3,789,088	78.07	1.86	1.05
West Virginia	1,837,849	87.51	2.06	0.39
Wisconsin	4,706,494	77.32	2.80	0.84
Wyoming	399,292	66.21	2.41	0.87
U. S. Total	$203,338,874	78.97	2.96	0.83

Source: Statistics of Income, 1951, Part 1, U.S. Treas. Dept. Internal Revenue Service; Department of Commerce, Bureau of Census.

As a result of these various amendments to the state statute, the Utah Individual Income Tax is now imposed under what amounts to two separate laws. This has created a host of administrative difficulties, costly technicalities, and no little confusion to the taxpayers. As a first step in improving the individual income tax, therefore—

> The individual income tax act should be fully revised so as to consolidate all its provisions and options in a single statute, after consideration of the changes in the federal law incorporated in the Internal Revenue Code of 1954.

Yield

The individual income tax yield reached an all time high in the fiscal year ended June 30, 1952, with collections totaling $7,324,063. Due to the increase in the allowance for dependents (from $300 to $600) and other changes in 1953, the net effect of the legislation, combined with economic conditions, reduced the total roughly $2 million. It has varied in past years as follows:[1]

Year	Tax Yield	Average Tax Per Return
1940	$ 802,793	$11.71
1942	1,277,121	12.98
1944	2,450,956	16.06
1946	2,579,188	16.78
1948	3,398,318	18.46
1950	4,111,214	20.71
1952	7,324,063	32.21
1953	5,312,715	25.84
1954	5,682,080	26.45

In relation to other state revenues, the individual income tax provided 11.2% of state tax revenues in 1954. Exclusive of the motor fuel tax (dedicated to roads) the individual income tax was exceeded only by the consumer sales tax (35.4%) in relative importance to the total state tax structure.

> In 1953, when the individual income tax yielded $5.3 million, it provided 10.6% of total state tax revenues, which was slightly more than the national average of 9.2%. (See Chapter III, Table 15). Since only 31 states have individual income taxes, a state which does levy this tax should be expected to receive proportionately more of its total revenue from this source than the national average, which includes states that levy no income tax.

Comparison With Other States

The income taxes of the various states vary too widely in their application, deductions and rates to permit a direct comparison among them which would be as meaningful as a comparison of the operation

[1]See Utah Foundation, *Facts and Figures on Government in Utah* (1953, page 37).

Table 58
PERCENTAGE OF NATIONAL TOTAL OF PRINCIPAL INCOME TAX DETERMINING FACTORS OCCURRING IN EACH STATE, 1951

State	Per Cent of National Total						
	No. of Returns	Salaries and Wages	Dividends	Interest	Adjusted Gross Income	Income Tax Liab.	Self-Employ. Tax
Alabama	1.29	1.16	0.61	0.69	1.11	0.87	1.22
Arizona	0.43	0.40	0.37	0.57	0.42	0.41	0.48
Arkansas	0.67	0.50	0.27	0.39	0.53	0.39	0.87
California	7.82	8.36	9.48	12.67	8.77	9.59	9.65
Colorado	0.91	0.81	1.00	1.59	0.89	0.86	1.01
Connecticut	1.63	1.84	3.02	2.14	1.80	2.06	1.72
Delaware	0.25	0.28	0.91	0.21	0.30	0.47	0.22
Dist. of Col.	0.68	0.75	0.90	0.76	0.72	0.85	0.45
Florida	1.65	1.40	2.10	2.40	1.51	1.44	1.90
Georgia	1.54	1.34	1.25	0.99	1.32	1.12	1.69
Idaho	0.36	0.27	0.15	0.52	0.33	0.27	0.45
Illinois	6.77	7.71	7.13	5.68	7.54	8.27	6.09
Indiana	2.77	2.79	1.69	1.89	2.73	2.60	2.74
Iowa	1.74	1.19	0.79	1.78	1.51	1.26	2.09
Kansas	1.29	1.03	0.62	0.91	1.17	1.03	1.40
Kentucky	1.42	1.17	0.97	0.79	1.18	0.96	1.37
Louisiana	1.23	1.18	0.98	0.92	1.14	1.05	0.59
Maine	0.60	0.46	0.53	0.57	0.46	0.36	0.63
Maryland	2.39	2.40	1.98	2.44	2.23	2.12	1.55
Massachusetts	3.58	3.57	4.67	3.92	3.40	3.43	2.75
Michigan	4.66	5.45	4.06	4.06	5.14	5.32	4.41
Minnesota	1.97	1.67	1.48	1.99	1.78	1.57	2.04
Mississippi	0.58	0.45	0.28	0.48	0.47	0.36	0.70
Missouri	2.55	2.33	2.59	2.15	2.41	2.41	2.91
Montana	0.40	0.33	0.16	0.44	0.38	0.35	0.47
Nebraska	0.92	0.63	0.52	0.77	0.81	0.73	1.04
Nevada	0.13	0.13	0.20	0.36	0.14	0.16	0.15
New Hampshire	0.40	0.33	0.46	0.45	0.32	0.27	0.37
New Jersey	3.81	4.33	4.11	3.93	4.07	4.13	3.93
New Mexico	0.35	0.31	0.23	0.42	0.34	0.32	0.40
New York	11.48	12.76	18.53	15.89	12.54	13.70	11.34
North Carolina	1.89	1.56	1.35	0.90	1.56	1.19	1.52
North Dakota	0.37	0.22	0.13	0.50	0.31	0.23	0.37
Ohio	5.85	6.47	5.82	4.85	6.21	6.41	5.52
Oklahoma	1.23	1.04	0.62	0.77	1.09	0.95	1.35
Oregon	1.05	1.02	0.63	1.58	1.10	1.13	1.53
Pennsylvania	7.62	7.82	7.88	5.67	7.47	7.43	7.62
Rhode Island	0.61	0.58	0.72	0.62	0.56	0.57	0.56
South Carolina	0.89	0.76	0.45	0.45	0.74	0.56	0.76
South Dakota	0.41	0.23	0.13	0.28	0.31	0.22	0.41
Tennessee	1.56	1.36	0.96	0.99	1.33	1.12	1.43
Texas	4.33	4.04	2.95	3.45	4.34	4.56	5.05
Utah	0.44	0.41	0.25	0.35	0.42	0.31	0.45
Vermont	0.24	0.19	0.25	0.35	0.19	0.14	0.18
Virginia	1.83	1.68	1.66	1.14	1.61	1.43	1.44
Washington	1.74	1.85	1.18	2.36	1.87	1.95	1.95
West Virginia	1.07	1.00	0.63	0.43	0.91	0.70	0.57
Wisconsin	2.41	2.27	2.19	2.34	2.32	2.17	2.44
Wyoming	0.19	0.17	0.16	0.20	0.20	0.20	0.22
U. S. Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Statistics of Income 1951, Part 1 U.S. Treas. Dept., Internal Revenue Service Dept. of Commerce, Bureau of Census.

of the federal income tax law among the states. Certain conclusions have previously been noted. (Chapter II):

> Individual incomes in Utah do not rise as high nor fall as low as in other states.
>
> Utah ranks 39th among the states in population but 29th in the number of federal income tax returns made per 1,000 population.
>
> Utah has 0.46 per cent of the national population and its residents filed 0.44 per cent of the national total number of federal income tax returns, upon which they reported 0.42 per cent of the national total of adjusted gross income.
>
> In its percentage of the national total of income tax liability, however, Utah drops to 0.31 per cent of the national total tax, as compared with its 0.42 per cent of the national total adjusted gross income. This is apparently the effect of Utah's relative shortage of taxpayers in the level of $10,000 and above combined with the larger number of personal exemptions due to Utah's high birth rate.

The income composition of the various states differs noticeably, but the great bulk of taxable income comes from salary and wages in all states. (Table 57). The United States totals in 1951 for adjusted gross income were 78.97% in the form of salaries and wages, 2.96% dividends, and 0.83% interest. The remainder, not shown on the table, was made up of proprietor's and other income. The Utah percentages appeared about average with respect to salaries and wages, low as to dividends and slightly low as to interest. Whatever state is considered, however, the bulk of the income tax under state or federal levies must come from "earned" income; that is, salaries and wages.

Whether Utah can expect to raise as much as other states from any given income tax rate structure depends upon the distribution of income and the number of exemptions for dependents which are claimed. Again using the data of the Internal Revenue Service for the purpose of a common basis of interstate comparison (Table 58), it appears that —

> The number of federal income tax returns filed by Utah residents and the total adjusted gross income reported thereon have been proportional to the State's population; but its per cent of the national total of dividends and interest reported and of income tax liability incurred was low in proportion to its population. The reasons for this condition have already been suggested.

Before and After Federal Taxes

The reported adjusted gross income in Utah of $847,179,000 (Table 57) was subject to $75.8 million in federal tax liability. In effect, therefore, the federal government skimmed off approximately 9% of Utah's adjusted gross income, to be deducted in addition to the state marital exemption, credits for dependents, and other deduc-

Table 59

STATE INDIVIDUAL INCOME TAX RATES AS OF JANUARY 1, 1954

State	Individual Income	Tax Rate	Personal Exemptions Married	Personal Exemptions Dependents	Deductibility of Federal Income Tax
Alabama	$0 to $ 1,000	1.5%	$3,000	$300	Yes
	Over $ 5,000	5.0			
Arizona	$0 to $ 2,000	1.0	20	4	Yes
	Over $ 9,000	4.5			
Arkansas	$0 to $ 3,000	1.0	3,500	600	No
	Over $ 25,000	5.0			
California	$0 to $ 5,000	1.0	3,500	400	No
	Over $ 25,000	6.0			
Colorado[a]	$0 to $ 1,000	1.0	1,200	600	Yes
	Over $ 11,000	10.0			
	Surtax intangibles excess of $ 600	2.0			
Delaware	$0 to $ 3,000	1.0	1,200	600	Limited
	Over $100,000	6.0			
Georgia	$0 to $ 1,000	1.0	2,500	500	Yes
	Over $ 20,000	7.0			
Idaho[b]	$0 to $ 1,000	1.5	1,500	200	Yes
	Over $ 5,000	8.0			
Iowa	$0 to $ 1,000	0.75	30	7.50	Yes
	Over $ 5,000	3.75			
Kansas	$0 to $ 2,000	1.0	1,200	600	Yes
	Over $ 7,000	4.0			
Kentucky	$0 to $ 3,000	2.0	40	10	Yes
	Over $ 8,000	6.0			
Louisiana	$0 to $ 10,000	2.0	5,000	400	Yes
	$10,001 to $ 50,000	4.0			
	Over $ 50,000	6.0			
Maryland[c]	Investment income	5.0	2,000	600	No
	Other income	2.0			
Mass.	Earned income, professional income and annuities	3.075%[d]	2,000[e]	400	Yes
	Capital gains	7.38[d]			
	Interest and dividends	7.38[d]			
Minnesota	$0 to $ 1,000	1.0	30	10	Yes
	Over $ 20,000	10.0			
	Veterans' bonus surtax	5.0			
Mississippi	$0 to $ 4,000	1.0	6,000		No
	Over $ 25,000	6.0			
Missouri	$0 to $ 1,000	1.0[f]	2,400	400	Yes
	Over $ 9,000	4.0[f]			
Montana	$0 to $ 2,000	1.0	2,000	300	Yes
	Over $ 6,000	4.0			

Table 59 (Cont'd.)

State	Individual Income	Tax Rate	Personal Exemptions Married	Personal Exemptions Dependents	Deductibility of Federal Income Tax
New Hampshire	Income from Intangibles	Average prop. tax rates			
New Mexico	$0 to $ 10,000	1.0%	$2,500	$200	Yes
	Over $100,000	4.0			
New York[g]	$0 to $ 1,000	2.0	2,500	400	No
	Over $ 9,000	7.0			
	Net capit. gains	½ Reg. Rates			
	Unincorp. businesses	3.0			
No. Carolina	$0 to $ 2,000	3.0	2,000	300	No
	Over $ 10,000	7.0			
No. Dakota	$0 to $ 3,000	1.0	1,500	600	Yes
	Over $ 15,000	11.0			
Oklahoma	$0 to $ 1,500	1.0	2,000	500	Yes
	Over $ 7,500	6.0			
Oregon	$0 to $ 500	2.0	1,500	300	Yes
	Over $ 8,000	8.0			
So. Carolina	$0 to $ 2,000	2.0	2,000	400	Limited
	Over $ 6,000	5.0			
Tennessee	Div. & interest	6.0			
	Div. & Corp. of whose prop. at least 75% is assessable for prop. tax	4.0			
UTAH	$0 to $ 1,000	1.0	1,200	600	Yes
	Over $ 4,000	5.0			
Vermont	$0 to $ 1,000	1.5	1,000	500	No
	Over $ 5,000	5.5			
Virginia[h]	$0 to $ 3,000	2.0	2,000	200	No
	$3,001 to $ 5,000	3.0			
	Over $ 5,000	5.0			
Wisconsin[i]	$0 to $ 1,000	1.0	TC 14	7	Limited
	Over $ 14,000	8.5			
D. of C.	$0 to $ 5,000	1.5	4,500	500	No
	Over $ 15,000	3.0			

[a]A credit of 20 per cent of the net tax due is allowed for tax year 1953.
[b]A credit of 15 per cent is allowed beginning with tax year 1953.
[c]A credit of 15 per cent was allowed on income for calendar year 1952 and fiscal years ending in 1953.
[d]Rates given include additional taxes of 1 per cent on earned income, professional income and annuities, and 3 per cent on capital gains, both on 1953 and 1954 income, plus an additional tax of 23 per cent of the regular tax on all income categories, continued through 1954 and 1955.
[e]Merit exemptions—plus income of spouse having smaller income not to exceed maximum $4,000—Flat rate $500 for husband or wife
[f]Deductions: $0 to $9,000—$5 to $90; over $9,000—$135.
[g]A 10 per cent reduction in rates was allowed for calendar year 1952 and for fiscal years ending in 1953.
[h]For the tax year 1952, a 6 per cent tax credit was allowed on the basis of a statute which provides for an automatic tax reduction contingent upon the extent by which general fund revenues exceed budget estimates.
[i]Teachers' retirement surtax incorporated in normal rates, effective beginning tax year 1953.
Source: Federation of Tax Administrators, **Trends in State Finance: 1953**, Research Report No. 38, January 15, 1954, pp. 33-35.
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tions before the application of the state tax rates. The extremely severe progression in federal income tax rates, however, makes it inadvisable to consider any modification of this feature of the Utah tax law for the time being.

Splitting of Income Between Spouses

Another factor that has a significant influence upon tax liability under a graduated rate income tax is the privilege of splitting of income between husband and wife for tax purposes. By dividing the income between them and reporting as if each had earned one-half of the total, the husband and wife are enabled to avoid higher tax brackets which might apply if the husband, for example, were to be taxed separately on his entire income. This privilege is obviously of importance under a federal income tax structure that makes 25 to 50% and higher brackets fairly common as compared with a state tax law under which the maximum tax rate is 5%.

The idea of income splitting for tax purposes had its source in the common law of community property states such as Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas and Washington. The institution of community property in those states, which divides the community income between the spouses as a matter of property law, had resulted in the legal right of residents of such states to split their income for federal tax purposes. Under the pressure of rising federal tax rates a few states adopted "community property laws" to give their residents the same benefit under the federal tax law (e.g. Michigan Laws of 1947, No. 317; Nebraska Laws of 1947, Chapter 156). When the federal tax law was amended to allow residents of all states to report on an income splitting basis there was no longer any need for such laws.

There is little to commend income splitting from a purely tax standpoint, especially under statutes which presume to allow a marital deduction. The idea was adopted in the federal law only to make that law operate uniformly among the community property and non-community property states. There is no such need within a single state. If the provision is to be justified at all it would be on the general ground that Utah has adopted the policy of integrating its income tax with the federal income tax. To permit this method of reporting income for state purposes would greatly reduce state administrative complications of the present state law, but it would certainly cause a loss of some revenue due to our graduated rate structure.

> It is recommended that upon a re-writing of the Utah income tax law an income splitting provision comparable to the federal law be considered in view of its net revenue effect taken together with other changes which may be made.

Rate Structure

The great majority of states use some form of graduated or "progressive" rate upon taxable income. Only Maryland and Massachusetts avoid a graduated rate, but both of these states classify income by source and levy a much higher rate on "unearned" income, (interest, dividends, etc.) than upon wages and salaries.

Table 60

MINIMUM AND MAXIMUM INCOME TAX RATES FOR INCOME LEVELS BY STATES, 1954

Minimum Rates		Maximum Rates	
Income Range (dollars)	State	Income Range (dollars)	State
3%		11%	
0-2,000	North Carolina	Over 15,000	North Dakota
2%		10%	
0-500	Oregon	Over 11,000	California
0-1,000	New York	Over 20,000	Minnesota
0-2,000	South Carolina		
0-3,000	Kentucky	8.5%	
0-3,000	Virginia	Over 14,000	Wisconsin
0-10,000	Louisiana		
1.5%		8%	
0-1,000	Vermont	Over 5,000	Idaho
0-1,000	Idaho	Over 8,000	Oregon
0-1,000	Alabama	7%	
0-5,000	District of Columbia	Over 9,000	New York
		Over 10,000	North Carolina
1%		Over 20,000	Georgia
0 1,000	Georgia	6%	
0-1,000	Colorado		
0-1,000	Wisconsin	Over 7,500	Oklahoma
0-1,000	Utah	Over 8,000	Kentucky
0-1,000	Minnesota	Over 25,000	Mississippi
0-1,000	Missouri	Over 25,000	California
0-1,500	Oklahoma	Over 50,000	Louisiana
0-2,000	Kansas	Over 100,000	Delaware
0-2,000	Arizona		
0-2,000	Montana	5.5%	
0-3,000	Arkansas	Over 5,000	Vermont
0-3,000	North Dakota		
0-3,000	Delaware	5%	
0-4,000	Mississippi		
0-5,000	California	Over 4,000	Utah
0-10,000	New Mexico	Over 5,000	Virginia
		Over 5,000	Alabama
		Over 6,000	South Carolina
		Over 25,000	Arkansas
		4.5%	
		Over 9,000	Arizona
		4%	
		Over 6,000	Montana
		Over 7,000	Kansas
		Over 9,000	Missouri
		Over 100,000	New Mexico
		3.75%	
		Over 5,000	Iowa
		3%	
		Over 15,000	District of Columbia

Table 61

COMPARATIVE PROVISIONS OF STATE INCOME TAXES IN 8 WESTERN STATES — 1954 (JANUARY 1)

	Utah	Arizona	California	Colorado	Idaho	Montana	New Mexico	Oregon
Due Date	Apr. 15	Apr. 15	Apr. 15	Apr. 15	Mar. 15	Apr. 15	Apr. 15	Apr. 15
Minimum Filing M	1,200	2,000	3,500	600	1,500	2,000	(Gross) 2,500	1,200
Requirements S	600	1,000	2,000	600	700	1,000	(Gross) 1,500	600
Type of form	long & optional short	long	long with opt. provision	long	long	long	long	long
Marital Exemption	1,200	(20	3,500		1,500	2,000	2,500	1,200
Single Exemption	600	Tax) 10	2,000	600	700	1,000	1,250	600
Dependency Credit	600	Cr. (4	400	600	200 $5 spec. add. tax exempt. for dep.	300	200	600
Additional Cr. for over 65	If opt. short form used, fed.	No	No	600	No	No	No	tax cr. 6
Addition Cr. for blind	cr. allowed	No	500	600	No	No	No	600
Addition Cr. head of Household or family	(lng frm) 600	No	3,500	600	No	No	No	No
Withholding	No	No	No	No	No	No	No	Yes
Medical deduction	On short form using federal deductions	No	No	Yes	Yes	No	No	Yes
Other deductions	Itemized on long form same as federal on short form	Itemized	Opt. table on income S-$500 M-$10000 Others itemize	Opt. table on income $500. Others itemize or take 10% up to $500	Opt. 10% to maximum $500 or itemize	Itemized	Itemized	Opt. table to $800 or itemized

Table 61 (Cont'd.)

		Utah	Arizona	California	Colorado	Idaho	Montana	New Mexico	Oregon
Optional table		No	No	Yes to $5000 inc.	Yes to $5,000 inc.	No	No	Optional 4% of federal tax on income to $10000	Yes to $800
Rates	1%	1st. 1,000	1st. 2,000	1st. 5,000	1st. 1,000		1st. 2,000	1st. 10,000	
	1¼%		3rd. 1,000						
	1½%		4th. 1,000		2nd. 1,000	1st. 1,000			
	2%	2nd. 1,000	5th. 1,000	2nd. 5,000	3rd. 1,000		2nd. 2,000	2nd. 10,000	1st. 500
	2½%		6th. 1,000		4th. 1,000				
	3%	3rd. 1,000	7th. 1,000	3rd. 5,000	5th. 1,000	2nd. 1,000	3rd. 2,000	Next 80,000	2nd. 500
	3½%		8th. 1,000						
	4%	4th. 1,000	9th. 1,000	4th. 5,000	6th. 1,000	3rd. 1,000	Over 6,000	Over 10,000	2nd. 1,000
	4½%		Over 9,000						
	5%	Over 4,000		5th. 5,000	7th. 1,000	4th. 1,000			3rd. 1,000
	6%			Over 25,000	8th. 1,000	5th. 1,000			4th. 1,000
	7%				9th. 1,000				5th. to 8th. 1,000
	8%				10th. 1,000	Over 5,000			Over 8,000
	9%				11th. 1,000				
	10%				Over 11,000				

Source: State Tax Commission.

The two most general factors which determine the incidence of the individual income tax are the rates and the levels of income to which the rates apply.

The range of rates within the states as well as the level of incomes to which the rates apply are shown in Table 59.

It is deceptive to view either the maximum or minimum rate of a particular state by itself. In all cases the rate must be considered in reference to the range of income to which it is applied. For example, both New Mexico and Oklahoma have a 1% minimum rate; however, in the case of New Mexico the 1% rate is charged against income from 0 to $10,000 while in the latter it is applied against incomes of 0 to $1,500. The same rule pertains to maximum rates. Both New Mexico and Montana have established 4% as the maximum rate; however, the 4% rate in New Mexico is applied to incomes over $100,000 while in Montana the same 4% rate is charged against incomes over $6,000.

With the exceptions of North Carolina, with a 3% rate on the first $2,000, and Iowa, with .75% on the first $1,000, all states utilizing a progressive rate apply either a 1%, 1.5% or 2% minimum rate.

The 1% minimum rate is found in 16 states, the 1.5% rate in 4 states and the 2% rate in 6 states. However, as Table 60 indicates application of the 1% rate varies from the first $1,000 in Missouri, Minnesota, Utah, Wisconsin, Colorado and Georgia to the first $10,000 in New Mexico. The most common combination of minimum rate and income is a 1% rate upon the first $1,000, as found in Utah and five other states.

The maximum rates range from 3% on all income over $75,000 in the District of Columbia to 11% upon a similar income in North Dakota. The pattern of the maximum rates and incomes is much more diffuse than that found in the minimum. Whereas only five different minimum rates are to be found in the many states, twelve distinct maximum rates are in use. The six and five per cent rates are the most common occurring in eleven of the twenty-eight graduated rate states. Utah, with a 5% maximum rate, finds 16 states with higher rates and seven with lower. Taken alone this would seem to indicate that the Utah maximum rate is comparatively low. However, no state applies its maximum rate, including those states with the lowest (3%) maximum rates, to as small an income ($4,000 or over) as does Utah. The 10 states, excepting Arkansas, which have adopted maximum rates ranging from 4% to 5.5% apply such rates on an average to income exceeding $6,600, as compared to $4,000 in Utah.

Table 61 compares the Utah income tax structure in more detail to that found in eight other western states. The long form is required in six states, (Arizona, Colorado, Idaho, Montana, New Mexico and Oregon) and is optional in two, (Utah and California).

The average dependency credit of the nine states is approximately $330, while Utah permits a credit of $600—nearly double that of the average.

With the exception of Oregon none of the nine states utilizes a withholding system.

The graduated rate structure as indicated in Table 61 shows that only Colorado and Utah, of the nine western states, increase the rate

at the point at which income exceeds $1,000. A 2% rate reaches the second thousand dollars only in Utah (2% of $1,000) and Oregon (2% of $500). With the exception of Oregon only Utah (5% of all over $4,000) reaches incomes as low as $4,000 with its maximum rate.

It can be concluded from the foregoing that although Utah is found among the states with an average maximum tax rate, this rate is applied to relatively lower incomes than the same rate in the eight other western states. On a national level Utah is the only state which applies its maximum rate to a sum as low as $4,000.

In this respect the Utah graduated rate tends to shift the burden from income groups of approximately $6,500 and upward to those of lower incomes, as compared with a more gradual progression which would require a higher maximum rate to yield the same revenue.

There are two factors which bear upon this situation:

> The extremely and sharply progressive rates of the federal income tax which bear heavily upon the upper income levels and, therefore, might warrant a flat rate for the state income tax.
>
> The lower rates applicable to lower income levels in Utah, however, recognize the tendency of the consumer sales tax to bear more heavily on these groups.
>
> All factors considered, the present rate structure is not likely to be improved substantially by further adjustments in the degree of graduation.

Withholding

Many states are studying tax withholding, similar to the present federal system, as a means of increasing revenue from the income tax without changing the rate or base. The following states have already adopted such a provision:

On Resident	On Non-Resident
Alaska	Arizona
Arizona	Colorado
Colorado	California
Delaware	Indiana
Kentucky	Iowa
Oregon	Kentucky
Vermont	Louisiana
	Maryland
	New York

There are various ways in which withholding may be designed to avoid an undue burden upon employers. If Utah continues its present policy of following the federal law, a simple form of withholding would be a fixed percentage of the federal amount withheld. In order to lessen the first year's impact of such a charge, it could be made to apply only for the second half of the first year. While it is conceivable that some taxpayers might be inconvenienced in the transition, such a gradual introduction of withholding would minimize

the inconvenience. In subsequent years, moreover, many taxpayers could be saved the trouble of filing separate income tax returns, and state administrative costs per taxpayer could be reduced.

> As part of the needed revision of the individual income tax law, it would be desirable for Utah to adopt a withholding provision applicable to wages and salaries. While an accurate estimate of the increased yield cannot be made, it would be reasonable to anticipate an increase of from 5% to 10% in the tax yield, or about $250,000 to $500,000 annually.
>
> If withholding is adopted, moreover, it will be practical and desirable to abolish the present short form and substitute the federal type of short form applicable to income from salaries and wages of less than $5,000 annually.

APPENDIX

TABLES

Table 1

UTAH STATE EXPENDITURES — ALL STATE FUNDS
FISCAL YEAR 1953-1954

	All Funds	% Total Exp.	General Fund	% Total Item	Special Fund	% Total Item
Education:						
State Aid to Public Schools	$ 22,204,733	26.18	$ 392,839	1.79	$ 21,811,894	99.21
Colleges and University	11,267,878	13.28	8,963,977	79.55	2,303,901	20.45
Other	1,032,118	1.22	301,751	29.24	730,367	70.76
TOTAL EDUCATION	34,504,729	40.68	9,658,567	27.99	24,846,162	72.01
Highways:						
State Roads	19,622,784	23.13			19,622,784	100.00
B and C Roads	2,355,576	2.78			2,355,576	100.00
TOTAL HIGHWAYS	21,978,360	25.91			21,978,360	100.00
Institutions:						
Hosp. and Inst. for Handicpd.	3,339,320	3.94	2,482,059	74.33	857,261	25.67
Penal and Correction	1,203,229	1.42	1,008,923	83.85	194,306	16.15
TOTAL INSTITUTIONS	4,542,549	5.36	3,490,982	76.85	1,051,567	23.15
Public Welfare	14,490,060	17.08	34,191	.23	14,455,869	99.77
Public Health	1,238,534	1.46	550,319	44.44	688,215	55.56
General Government:						
General Adm. and Control	1,630,775	1.92	1,593,295	97.70	37,480	2.30
Aeronautics	321,006	.38	15,378	4.79	305,628	95.21
Natural Resources	2,283,573	2.69	624,201	27.33	1,659,372	72.67
Agriculture	531,593	.63	208,048	39.14	323,545	60.86
Public Safety	973,013	1.15	881,811	90.63	91,202	9.37
Regulation of Comm. and Ind.	325,199	.38	323,541	99.49	1,658	.51
Judiciary	544,017	.64	532,118	97.81	11,899	2.19
Legislature	116,480	.14	116,480	100.00		
TOTAL GENERAL GOVERNMENT	6,725,656	7.93	4,294,872	63.86	2,430,784	36.14
Liquor Profits to Local Government	1,000,000	1.17			1,000,000	100.00
Debt Service	155,120	.18			155,120	100.00
Miscellaneous	193,845	.23	189,710	97.87	4,135	2.13
TOTAL EXPENDITURES	84,828,853	100.00	18,218,641	21.48	66,610,212	78.52
NON EXP. ITEMS	26,133,856		1,156,718	4.43	24,977,138	95.57
TOTAL DISBURSEMENTS	$110,962,709		$ 19,375,359	17.46	$ 91,587,350	82.54

Source: Compiled by Utah Legislative Council.

Table 2

STATEMENT OF STATE GENERAL FUND REVENUES AND EXPENDITURES FISCAL YEARS 1953-1955

	1954 Actual	1955 Estimate	Bien. Est. Total	General Fund Free Revenue Only
Revenues:				
Balance	$	$	$ 1,646,944	$ 1,647,000
General Fund Sources	5,867,451	5,692,700		
Liquor Profits Trans.	2,597,704	2,750,000		
School Fund Surplus				
Sales Tax Appr. Trans.	2,000,000			
Total Free Revenue (4-a)	10,465,155	8,442,700	18,907,855	18,908,000
Dedicated Credits Appr.	4,662,562	4,750,000	9,412,562	
Trans. from Special Fds.	6,748,435	6,748,435	13,496,871	
Expenditures:				
Approp. Est.				20,243,000
Disbursements	19,278,984	23,873,248	43,152,232	
Trans. to Special Fds.				
Appr. Unif. School Fd.				
Appr. Teacher Retr. Fd.				
Appr. Cont. or Suppl. Fd.				
Appr. Highway Fund				
Appr. Airport Fund				
Appr. Other Funds				
Appr. Utah Wt. and Pw. Bd.				
Balance Free Fund Ext. 6/30/55			312,000	312,000

Source: Compiled by Utah Legislative Council.

Table 3

STATEMENT OF GENERAL FUND REVENUES FOR PERIOD 1953-1955

	Actual 1954	Estimated 1955	Estimate for Biennium 1953-55[1]
1. General Taxes			
A. **On Business**			
Corporation Franchise Taxes	$ 105,974	$ 100,000	$ 206,000
B. **On Individuals**			
Inheritance Taxes	501,789	500,000	1,002,000
Sales Tax Appropriation	2,000,000		2,000,000
Sub Total	2,607,763	600,000	3,208,000
2. Taxes on Selected Commodities and Activities			
A. Commodities			
Cigarettes	939,219	900,000	1,839,000
Oleomargine	600,868	600,000	1,201,000
Beer	181,360	200,000	381,000
B. Activities			
Mine Occupation Taxes	1,422,216	1,500,000	2,922,000
Insurance Premium Taxes	1,396,915	1,400,000	2,797,000
Insurance Regulation Fees	94,739	95,000	190,000
Sub Total	4,635,317	4,695,000	9,330,000
3. Miscellaneous Income			
Registration Fees	78,498	80,000	158,000
Fees, State Officials	38,138	35,000	73,000
Court Reporters Fees	34,130	35,000	69,000
Fines and Forfeitures	15,998	15,000	31,000
Rent, Departmental Space	29,700	29,700	59,000
War Bond Revenue	168,452	165,000	333,000
Cafeteria Rent	3,000	3,000	6,000
Rental Receipts	10		000
Surplus Property Sales	19,423	20,000	40,000
Miscellaneous	237,022	15,000	253,000
Sub Total	624,371	397,700	1,022,000
Liquor Profits	2,597,704	2,750,000	5,348,000
Grand Total	$10,465,155	$ 8,442,700	$18,908,000

[1]Actual 1954 plus estimated 1955 rounded to thousands of dollars.
Source: Compiled by Utah Legislative Council.

Table 4

STATEMENT OF STATE GENERAL FUND FREE REVENUE APPROPRIATIONS FOR THE BIENNIAL PERIOD 1953-1955

	1953-55	% Total
Education		
Retirement Programs	$ 199,390	.98
Vocational and Other	570,000	2.82
University and State College	10,873,500	53.74
Jr. Colleges and AC Branches	2,303,280	11.38
Total Education	13,946,170	68.92
Penal Institutions	1,219,980	6.03
General Government		
Legislature and Leg. Agencies	386,430	1.90
Judiciary	808,148	3.99
Adm. and Control — Elective	793,901	3.92
Adm. and Control — Appointive	641,192	3.17
Public Safety and Military	220,000	1.09
Regulation of Commerce and Ind.	419,303	2.07
Aeronautics	5,000	.02
Natural Resources	892,530	4.41
Agriculture	449,550	2.21
Total General Government	4,616,054	22.78
Miscellaneous		
Building Projects	168,660	.83
Other	292,136	1.44
Total Miscellaneous	460,796	2.27
Total General Fund Approp. Exp.	20,243,000	100.00
Recapitulation:		
Beg. General Fund Balance	1,647,000	
Revenues Received	18,908,000	
Total Available	20,555,000	
Less Gen. Fund Approp. Exp.	20,243,000	
Ending General Fund Balance	$ 312,000	

Source: Compiled by Utah Legislative Council.

Table 5

SCHEDULE OF EXISTING TAXES (1954)

Name of Tax	Utah Code 1953 Citation	Present Rate	Year First Adopted	Present Distribution
Beer	32-6-1 to 19	$1.10 per Bbl. less than 3.2 $4.00 per Bbl. over 3.2	1935	General Fund
Cigarette (½ D)	59-18-1 to 19 Amend Chapter 34 1st Spec. Ses.	2c per pack 3 lbs. or less 4c per pack 3 lbs. or less	1923 Amended 1954	½ General Fund ½ Unif. Sch. Fd.
Corp. Franchise	59-13-1 to 64	3% of net income — minimum of 1/20 of 1% tangible property not less than $10	1931	Unif. Sch. Fd. PTB to Gen. Fd.
Indiv. Inc. Tax	59-14-1 to 80	Graduated 1% to .5% of income Deduction same as federal	1931	Unif. Sch. Fd.
Inheritance Tax	59-12-1 to 44	Graduate 3% to 10% of estate	1901	General Fund
Insurance Tax	31-14-1 to 9	2¼% on premium with exempt. and exceptions	1896	General Fund
Mine Occupation	59-5-66 to 82	1% of gross proceeds, $50,000 exemption	1937	General Fund
Motor Fuel Tax (Inc. aeroplane Fuel Tax)	41-11-1 to 47	5c per gallon gasoline. 4% per gallon aircraft	1923	Highway Fund
Special Fuels	41-11-48 to 77	5c per gallon	1941	Highway Fund
Motor Veh. Registr.	41-1-127 to 141	$5.00 passenger cars. Commercial, unladen weight	1909	$2 million per year to B and C roads. Balance ½ B and C, ½ Highway Fund
Motor Vehicle Control	41-1-1 to 127	$1.00 titles and duplicates titles. $25.00 min. dealers license	1935	Tax Com. Admin.

Table 5 (Cont'd.)

Name of Tax	Utah Code 1953 Citation	Present Rate	Year First Adopted	Present Distribution
Motor Trans. and Ton Mile	Repealed			
Mt. Veh. Dealers Adm.	41-3-1 to 27	$5.00 fee for salesman license $40 fee for each dealer	1949	Pub. Safety Adm.
Veh. Cont.—Drivers Lic.	41-2-1 to 41-2-32	$2.00 Orig. $1.00 renewal	1933	Pub. Safety Adm.
Safety Responsibility	41-12-1 to 41		1951	Pub. Safety Adm.
Temp. Permit Fees	41-1-88	$2.50 single, $5.00 multiple in lieu weight schedule	1951	Highway Fund
Oleomargarine	59-18-4	5c lb. uncolored. 10c lb. cld.	1929	General Fund
Public Utility Fees	54-5-1 to 5	¾ of approp. for Pub. Service Commission oper. costs	1935	Pub. Serv. Com.
Sales and Use Tax	59-16-1 to 25 59-15-1 to 22	2% use on goods 2% retail sales goods	1937 1933	Emer. Relief Fd. and Leg. Approp. Emer. Relief Fd. and Leg. Approp.
School Lunch	53-8-1 to 5	4% of liquor sales	1943	School Lunch Program
Total Tax Commission Reports — Not Including Unemployment Insurance				
Liquor Profits	32-1-24		1935	General Fund
Property-Bounty taxes levied			1896	Agric. Funds
State School Collections 59-1-1 to 59-11-16 as fixed			1896	Unif. School Fd.
State Collections 59-1-1 to 59-11-16 as fixed			1896	General Fund
School Land Rental and Interest — state receipts 65-1-64 as fixed			1896	Unif. School Fd.
Unemployment Comp. Insurance — 2.7% employer payroll with less for rating			1936	Unemp. Comp.
Liquor Profits to cities and counties			1947	Cities and Counties—(1,000,000 per year)
Prop. taxes levied — local govts. 59-1-1 to 59-11-16			1896	Local Govt. Units

Source: Utah Legislative Council.

Table 6

UTAH STATE REVENUES—ALL STATE FUNDS
FISCAL YEAR ENDED JUNE 30, 1954

	Total All Funds	% Total	General Fund	Special Funds
Sales and Use Tax	$ 17,957,139	21.4%	$	$ 17,957,139
Federal Grants-in-aid:				
Welfare	7,361,473			7,361,473
Roads	6,826,455			6,826,455
Other	2,248,800		285,451	1,963,349
Total Federal Grants	16,436,728	19.5	285,451	16,151,277
Motor Vehicle:				
Gasoline	12,818,164			12,818,164
Reg. and Other	3,650,430			3,650,430
Total Motor Vehicle	16,468,594	19.5		16,468,594
Income Taxes:				
Individual	5,657,683			5,657,683
Corporation	4,107,392		105,975	4,001,417
Total Income Taxes	9,765,075	11.6	105,975	9,659,100
General Property Tax	3,640,758	4.3		3,640,758
Liquor Profits	3,597,704	4.3	2,597,704	1,000,000
College Fees	2,976,734	3.6	2,850,527	126,207
Mine Occupation	2,095,486	2.5	1,422,216	673,270
Fish and Game Fees	1,347,741	1.6		1,347,741
Spec. Liquor Tax (School Lunch)	530,875	.6		530,875
Beer Tax	181,360	.2	181,360	
Cigarette	1,230,131	1.5	939,219	290,912
Oleomargarine	600,868	.7	600,868	
Agricultural Dept. Taxes	293,040	.3		293,040

Table 6 (Cont'd.)

	Total All Funds	% Total	General Fund	Special Funds
Inheritance	501,789	.6	501,789	
Insurance Premium	1,396,915	1.7	1,396,915	
Vocational School Fees	119,540	.14	119,540	
Other Dept. and Inst. Fees	571,879	.7	415,595	156,284
Court Fines, Fees and Report. Fees	50,128	.06	50,128	
Suspense	393,632	.5		393,632
Int. and Rentals — Land Funds	1,100,957	1.3		1,100,957
Miscellaneous Receipts	2,866,126	3.4	1,737,015	1,129,111
County Contribution to Welfare				
County Contribution to Roads				
Total Revenue	$ 84,123,199	100.0%	$ 13,204,302	$ 70,918,897
Non-Revenue Receipts	28,302,642		989,076	27,313,566
Total Receipts	$112,425,841		$ 14,193,378	$ 98,232,463
Total State Rev. Source Only	$ 67,686,471		$ 12,918,851	$ 54,767,620

Source: Compiled by Utah Legislative Council.

NOV 11 '65

Date Due

Due	Returned	Due	Returned

336.2
S634t
c.2

Tax policies in Utah; main
336.2S634t C.2
3 1262 03251 6584